

**REPORT BY THE  
STATE AUDITOR  
OF CALIFORNIA**

---

**STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1993**

---

The first copy of each California State Auditor report is free.  
Additional copies are \$3 each. You can obtain reports by contacting  
the Bureau of State Audits at the following address:

**California State Auditor  
Bureau of State Audits  
555 Capitol Mall, Suite 300  
Sacramento, California 95814  
(916) 445-0255 or TDD (916) 445-0255 x 216**

**OR**

**This report may also be available  
on the World Wide Web  
<http://www.bsa.ca.gov/bsa/>**

Permission is granted to reproduce reports.



**CALIFORNIA STATE AUDITOR**  
**BUREAU OF STATE AUDITS**

**KURT R. SJOBERG**  
State Auditor

**MARIANNE P. EVASHENK**  
Chief Deputy State Auditor

June 30, 1994

93001

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814


Dear Governor and Legislative Leaders:

The Bureau of State Audits presents the financial report of the State of California for the year ended June 30, 1993. This financial report includes a financial section with the State's general purpose financial statements presented on a basis in conformity with generally accepted accounting principles (GAAP) and a statistical section with important labor, income, and population statistics.

The financial statements show that the State's General Fund generated approximately \$1.3 billion more in revenues than it spent for the fiscal year ended June 30, 1993, and ended the fiscal year with a fund deficit of \$2.5 billion. The GAAP basis statements include all liabilities owed by the State while the budgetary basis statements that are used to report on the State's budget do not reflect all liabilities.

We conducted this audit to comply with the California Government Code, Section 8546.4.

Respectfully submitted,

  
KURT R. SJOBERG  
State Auditor

**REPORT BY THE**

**STATE AUDITOR**

**93001**

**STATE OF CALIFORNIA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1993**

**JUNE 1994**

## TABLE OF CONTENTS

<b>Financial Section</b>	<u>Page</u>
Independent Auditors' Report.....	3
General Purpose Financial Statements.....	5
Combined Balance Sheet .....	7
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual (Budgetary Basis)—General Fund.....	9
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual (Budgetary Basis)—Special Revenue Funds.....	10
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances .....	11
Combined Statement of Cash Flows.....	12
Combined Balance Sheet University of California Funds .....	14
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—University of California Current Funds .....	15
Combined Statement of Changes in Fund Balances University of California Funds .....	16
Notes to the Financial Statements.....	17

## TABLE OF CONTENTS (Continued)

<b>Statistical Section</b>	<b><u>Page</u></b>
General Governmental Expenditures by Function as Reported for Fiscal Years Ended June 30, 1984 Through 1993 .....	73
General Revenues by Source as Reported for Fiscal Years Ended June 30, 1984 Through 1993 .....	74
Percentage of General Long-Term Bonded Debt to Per Capita Income For Fiscal Years Ended June 30, 1984 Through 1993 .....	75
Percentage of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures as Reported for Fiscal Years Ended June 30, 1984 Through 1993 .....	76
Comparison of National with State Population Calendar Year 1940 Through Calendar Year 1993.....	77
Comparison of National with State Personal Income Calendar Year 1980 Through Calendar Year 1993.....	78
Comparison of National with State Per Capita Personal Income Calendar Year 1980 Through Calendar Year 1993.....	79
Civilian Labor Force for Resident Population Age 16 and Over Calendar Year 1979 Through Calendar Year 1993.....	80
Persons Employed in Principal Manufacturing Industries Calendar Year 1983 and Calendar Year 1993.....	81

## **FINANCIAL SECTION**



# CALIFORNIA STATE AUDITOR

## BUREAU OF STATE AUDITS

**KURT R. SJOBERG**  
State Auditor

**MARIANNE P. EVASHENK**  
Chief Deputy State Auditor

### Independent Auditors' Report

#### THE GOVERNOR AND THE LEGISLATURE OF THE STATE OF CALIFORNIA

We have audited the general purpose financial statements of the State of California as of and for the year ended June 30, 1993, as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these statements based on our audit. We did not audit the financial statements of the pension trust funds, which reflect total assets constituting 78 percent of the fiduciary funds. We also did not audit the financial statements of certain enterprise funds, which reflect total assets and revenues, constituting 92 percent and 94 percent, respectively, of the enterprise funds. In addition, we did not audit the University of California funds. The financial statements of the pension trust funds, certain enterprise funds, and the University of California funds referred to above were audited by other auditors who furnished their reports to us, and our opinion, insofar as it relates to the amounts included for the pension trust funds, certain enterprise funds, and the University of California funds, is based solely upon the reports of other independent auditors.

We conducted our audit in accordance with government auditing standards issued by the Comptroller General of the United States and generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the State of California as of June 30, 1993, and the results of its operations and the cash flows of its proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

We have not audited the data included in the statistical section in this report, and accordingly, we express no opinion on that data. Reports in accordance with government auditing standards on the State's internal control structure and on compliance are issued under separate cover in our single audit report.

BUREAU OF STATE AUDITS

  
SALLY L. FILLIMAN, CPA  
Deputy State Auditor

April 30, 1994



## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**STATE OF CALIFORNIA**  
**COMBINED BALANCE SHEET—ALL FUND TYPES AND ACCOUNT GROUPS**  
**As of June 30, 1993**  
**(In Thousands)**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	University of California
<b>ASSETS</b>									
Cash and pooled investments	\$ 131,615	\$ 2,594,259	\$387,805	\$ 4,107,824	\$ 37,334	\$ 13,125,504			\$ 2,914,257
Investments				9,032,952		103,894,048			20,494,088
Amount on deposit with U.S. Treasury						2,786,733			
Receivables (net)	170,972	371,546	208	353,317	2,313	7,632,399			1,239,947
Due from other funds	4,125,335	3,398,315	131,246	428,804	241,641	6,248,338			346,768
Due from other governments	58,180	4,271,892		57,370	2,531	1,382,839			96,450
Prepaid expenses	226,935	217,834	10,047	13,828	7,442	21,265			
Inventory, at cost				15,999	49,641				97,672
Net investment in direct financing leases				1,793,619					
Advances and loans receivable	1,120,372	795,316		6,058,979	31,944	1,390,848			16,447
Deferred charges				1,344,233					58,638
Fixed assets				5,535,892	244,547	11,718	\$12,524,879		10,021,866
Other assets	1,088	2,043	73	150,956	9,582	52,177			310,113
Amount to be provided for retirement of long-term obligations								\$17,319,861	
<b>Total Assets</b>	<b>\$5,834,497</b>	<b>\$11,651,205</b>	<b>\$529,379</b>	<b>\$28,893,773</b>	<b>\$626,975</b>	<b>\$136,545,869</b>	<b>\$12,524,879</b>	<b>\$17,319,861</b>	<b>\$35,596,246</b>
<b>LIABILITIES AND FUND EQUITY</b>									
<b>Liabilities</b>									
Accounts payable	\$ 631,512	\$ 718,935	\$100,914	\$ 302,214	\$ 44,377	\$ 5,859,700			\$ 1,166,219
Due to other funds	4,465,129	4,283,082	20,916	370,855	71,970	5,582,324			126,171
Due to other governments	899,764	1,376,826	8,429	108,716	38	11,533,063			
Dividends payable				48,000					
Advances from other funds		10,402	35,429	287,713	60,902	1,012,916			16,447
Tax overpayments		1,571				897,675			
Benefits payable				5,008,302		800,860			
Deposits	19	13,689		6,379	1,053	2,333,855			286,612
Contracts and notes payable	2,000,000			1,249	51,319				
Lottery prizes and annuities				1,877,928					
Compensated absences payable	80,120			21,334	37,172			\$ 878,947	240,463
Mortgages and other borrowings									365,955
Net assets available for benefits									19,942,090
Capital lease obligations				5,733	10,842			1,903,832	443,959
Advance collections	11,310	77,458		1,022,752	74,950	58,896			
General obligation bonds payable				4,378,375				13,262,192	
Revenue bonds payable				10,032,266					1,430,722
Interest payable	247,746			292,162					
Other liabilities	42,861	55,047	148	45,537	2,591	822,755		1,274,890	
<b>Total Liabilities</b>	<b>8,378,461</b>	<b>6,537,010</b>	<b>165,836</b>	<b>23,809,515</b>	<b>355,214</b>	<b>28,902,044</b>		<b>17,319,861</b>	<b>24,018,638</b>
<b>Fund Equity</b>									
Contributed capital				212,516	108,667				
Investment in general fixed assets							\$12,524,879		8,055,004
Retained earnings									
Reserved for regulatory requirements				570,643					
Unreserved				4,301,099	163,094				
Fund balances									
Reserved for encumbrances	342,564	1,861,879	294,398						
Reserved for advances and loans	1,120,372	795,316				363,048			
Reserved for pension benefits						103,758,784			
Reserved for continuing appropriations	45,008	2,304,737	136,663						
Reserved for other specific purposes	205,898	65,770				3,521,993			1,697,517
<b>Total Reserved</b>	<b>1,713,842</b>	<b>5,027,702</b>	<b>431,061</b>			<b>107,643,825</b>			<b>1,697,517</b>
Unreserved									
Budgetary basis undesignated-available for appropriation (deficit)	(2,807,875)	(5,111,694)							
Budgetary to GAAP adjustments	(1,449,931)	5,198,187							
Undesignated (deficit)	(4,257,806)	86,493	(67,518)						1,825,087
<b>Total Fund Equity (Deficit)</b>	<b>(2,543,964)</b>	<b>5,114,195</b>	<b>363,543</b>	<b>5,084,258</b>	<b>271,761</b>	<b>107,643,825</b>	<b>12,524,879</b>		<b>11,577,608</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$5,834,497</b>	<b>\$11,651,205</b>	<b>\$529,379</b>	<b>\$28,893,773</b>	<b>\$626,975</b>	<b>\$136,545,869</b>	<b>\$12,524,879</b>	<b>\$17,319,861</b>	<b>\$35,596,246</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 1993**  
**(In Thousands)**

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue	Capital Projects	Expendable Trust
<b>Revenues</b>				
Taxes	\$39,486,675	\$ 3,771,079		\$5,309,506
Intergovernmental		21,535,501		
Licenses and permits	126,500	2,588,075		
Natural resources	12,845		\$ 72,236	
Insurance premiums				658,449
Charges for services	117,623	223,210		13,912
Fees	226,944	1,352,766		101,963
Penalties	219,779	323,391		22,640
Interest	225,042	142,671	980	256,235
Other	237,998	428,166	1,989	279,606
<b>Total Revenues</b>	<b>40,653,406</b>	<b>30,364,859</b>	<b>75,205</b>	<b>6,642,311</b>
<b>Expenditures</b>				
Current				
General government	1,552,066	1,129,018		775,058
Education	19,265,596	3,347,526		412,803
Health and welfare	13,104,006	17,144,238		8,329,552
Resources	445,313	1,226,342		13,417
State and consumer services	264,959	288,163		12,221
Business and transportation	60,570	5,924,856		2,250
Correctional programs	2,686,884	175,849		
Property tax relief	808,053			
Capital outlay		84,381	719,704	
Debt service				
Principal retirement	651,407	15,543		
Interest and fiscal charges	976,820	5,915		
<b>Total Expenditures</b>	<b>39,815,674</b>	<b>29,341,831</b>	<b>719,704</b>	<b>9,545,301</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from general obligation bonds		2,254,706	363,000	
Operating transfers in	613,459	796,564	205,008	2,592,169
Operating transfers out	(161,980)	(3,758,482)	(17,889)	(52,667)
<b>Net Other Financing Sources (Uses)</b>	<b>451,479</b>	<b>(707,212)</b>	<b>550,119</b>	<b>2,539,502</b>
<b>Excess of Revenues and Other Sources Over</b>				
<b>(Under) Expenditures and Other Uses</b>	<b>1,289,211</b>	<b>315,816</b>	<b>(94,380)</b>	<b>(363,488)</b>
<b>Fund Balances (Deficit), July 1, 1992</b>	<b>(3,833,175)</b>	<b>4,798,379</b>	<b>457,923</b>	<b>4,248,529</b>
<b>Fund Balances (Deficit), June 30, 1993</b>	<b>\$(2,543,964)</b>	<b>\$ 5,114,195</b>	<b>\$363,543</b>	<b>\$3,885,041</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE—BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 1993**  
**(In Thousands)**

	<b>Budget</b>	<b>Actual</b>	<b>Variance- Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes		\$39,197,235	
Licenses and permits		66,966	
Natural resources		12,832	
Charges for services		90,043	
Fees		198,464	
Penalties		221,675	
Interest		231,945	
Other		219,597	
<b>Total Revenues</b>		<b>40,238,757</b>	
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 1,575,520	1,390,434	\$185,086
Education	20,552,581	20,445,897	106,684
Health and welfare	13,337,222	13,031,975	305,247
Resources	465,126	445,661	19,465
State and consumer services	272,195	269,232	2,963
Business and transportation	64,066	34,435	29,631
Correctional programs	2,700,118	2,682,295	17,823
Property tax relief	814,553	811,558	2,995
<b>Debt Service</b>			
Principal retirement	672,372	672,372	
Interest and fiscal charges	963,552	955,120	8,432
<b>Total Expenditures</b>	<b>\$41,417,305</b>	<b>40,738,979</b>	<b>\$678,326</b>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in		715,151	
Operating transfers out		(184,030)	
Other additions		78,396	
<b>Net Other Financing Sources (Uses)</b>		<b>609,517</b>	
<b>Excess of Revenues and Other Sources</b>			
Over (Under) Expenditures and Other Uses		109,295	
<b>Fund Balance (Deficit), July 1, 1992, as restated</b>		<b>(2,349,251)</b>	
<b>Fund Balance (Deficit), June 30, 1993</b>		<b>\$(2,239,956)</b>	

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES—BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 1993**  
**(In Thousands)**

	<b>Budget</b>	<b>Actual</b>	<b>Variance- Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes		\$ 653,269	
Intergovernmental		19,313,168	
Licenses and permits		2,574,075	
Charges for services		223,210	
Fees		1,352,766	
Penalties		323,391	
Interest		142,671	
Other		428,166	
<b>Total Revenues</b>		<b>25,010,716</b>	
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 1,190,012	1,130,921	\$ 59,091
Education	5,206,568	5,061,444	145,124
Health and welfare	17,581,683	17,189,080	392,603
Resources	1,549,526	1,347,758	201,768
State and consumer services	305,707	287,837	17,870
Business and transportation	6,578,532	6,183,012	395,520
Correctional programs	172,605	170,511	2,094
Capital Outlay	84,789	84,789	
<b>Total Expenditures</b>	<b>\$32,669,422</b>	<b>31,455,352</b>	<b>\$1,214,070</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from general obligation bonds		2,254,706	
Operating transfers in		14,609,378	
Operating transfers out		(12,338,940)	
<b>Net Other Financing Sources (Uses)</b>		<b>4,525,144</b>	
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>		<b>(1,919,492)</b>	
<b>Fund Balances, July 1, 1992</b>		<b>4,792,649</b>	
<b>Fund Balances, June 30, 1993</b>		<b>\$ 2,873,157</b>	

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS/FUND BALANCES**  
**ALL PROPRIETARY FUND TYPES AND PENSION TRUST FUNDS**  
**For the Fiscal Year Ended June 30, 1993**  
**(In Thousands)**

	<b>Proprietary Fund Types</b>		<b>Fiduciary Fund Type</b>
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Pension Trust</b>
<b>Operating Revenues</b>			
Lottery ticket sales	\$1,759,495		
Services and sales	952,617	\$847,276	
Earned premiums (net)	1,795,136		
Investment and interest	694,437		\$ 8,366,270
Contributions			5,463,735
Rent	104,165		
Other	17,622	15	10,665
<b>Total Operating Revenues</b>	<b>5,323,472</b>	<b>847,291</b>	<b>13,840,670</b>
<b>Operating Expenses</b>			
Lottery prizes	880,955		
Personal services	260,895	395,946	54,538
Supplies	42,169	9,648	
Services and charges	748,761	432,886	96,901
Depreciation	92,397	54,445	
Benefit payments	1,982,937		5,273,959
Interest expense	599,870	199	
Refunds			192,913
Amortization of deferred charges	34,868		
<b>Total Operating Expenses</b>	<b>4,642,852</b>	<b>893,124</b>	<b>5,618,311</b>
<b>Operating Income (Loss)</b>	<b>680,620</b>	<b>(45,833)</b>	<b>8,222,359</b>
<b>Nonoperating Revenues (Expenses)</b>			
Grants received	1,236		
Grants provided	(23,173)		
Interest revenue	614,447	1,043	
Interest expense and fiscal charges	(354,368)		
Loss on early extinguishment of debt	(111,010)		
Other	(45,006)	(12,004)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>82,126</b>	<b>(10,961)</b>	
<b>Operating transfers in</b>	<b>69,267</b>	<b>20,943</b>	
<b>Operating transfers out</b>	<b>(180,422)</b>	<b>(39)</b>	
<b>Operating Transfers</b>	<b>(111,155)</b>	<b>20,904</b>	
<b>Net Income (Loss)</b>	<b>651,591</b>	<b>(35,890)</b>	<b>8,222,359</b>
Dividends paid	(149,275)		
Lottery payments for education	(607,134)		
Retained Earnings/Fund Balances, July 1, 1992	4,976,560	198,984	95,536,425
<b>Retained Earnings/Fund Balances, June 30, 1993</b>	<b>\$4,871,742</b>	<b>\$163,094</b>	<b>\$103,758,784</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 1993**  
**(In Thousands)**

	<b>Proprietary Fund Types</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
<b>Cash Flows From Operating Activities</b>		
Operating income (loss)	\$ 680,620	\$(45,833)
Adjustments to reconcile operating income (loss) with net cash provided by (used in) operating activities		
Interest expense on operating debt	599,870	
Interest on investments	(177,235)	
Depreciation	92,397	54,445
Deferred charges from water projects	16,845	
Accretion of capital appreciation bonds	18,596	
Provisions and allowances	4,869	
Accrual of deferred credits	2,250	
Amortization of discounts	20,068	
Other	5,567	3,920
Change in assets and liabilities		
Change in receivables	32,979	268
Change in due from other funds	184,203	11,274
Change in due from other government	11,258	4,752
Change in prepaid expenses	1,475	(2,369)
Change in inventory	(600)	4,971
Change in net investment in direct financing leases	(194,848)	
Change in advances and loans receivable	298,111	(1,269)
Change in other assets	320,685	(880)
Change in accounts payable	7,336	12,512
Change in due to other funds	(123,337)	(6,144)
Change in due to other governments	(8,739)	(1,303)
Change in lottery prizes and annuities	113,846	
Change in benefits payable	412,485	
Change in deposits	(333,827)	(11)
Change in compensated absences payable	2,687	5,379
Change in advance collections	11,018	19,000
Change in other liabilities	(2,435)	18
<b>Total Adjustments</b>	<b>1,315,524</b>	<b>104,563</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,996,144</b>	<b>58,730</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Dividends paid	(169,675)	
Advances from other funds		2,886
Return of advances from other funds	(24)	(2,677)
Principal paid on notes payable		(646)
Proceeds from revenue bonds	295,043	
Retirement of general obligation bonds	(224,695)	
Retirement of revenue bond	(1,049,905)	
Interest paid on operating debt	(634,924)	(76)
Operating transfers in	61,592	20,943
Operating transfers out	(178,800)	(39)
Grants provided	(23,173)	
Grants received	1,236	

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**For the Fiscal Year Ended June 30, 1993**  
**(In Thousands)**

	<b>Proprietary Fund Types</b>	
	<b>Enterprise</b>	<b>Internal Service</b>
Other revenue (expenses)	(851)	144
Lottery payments for education	(581,832)	
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(2,506,008)</b>	<b>20,535</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition of fixed assets	(632,515)	(30,121)
Proceeds from sale of fixed assets	13,999	3,610
Unamortized water project costs	(14,105)	
Advances from other funds	248,833	
Return of advances from other funds	(356,773)	
Principal paid on notes payable	(151)	(26,740)
Payment of capital lease obligations	(8,982)	(887)
Proceeds from revenue bonds	2,160,779	
Retirement of general obligation bonds	(32,410)	
Retirement of revenue bonds	(1,182,973)	
Interest paid	(400,825)	(4,982)
Contributed capital	15	2,318
Operating transfers in	7,675	
Operating transfers out	(1,620)	
Payment of deferred costs		(715)
Advance collections	2,169	
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(196,884)</b>	<b>(57,517)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(742,862)	
Advances and loans provided	(160,160)	
Collection of advances and loans	329,995	
Proceeds from maturity and sale of investments	786,788	
Interest and gains on investments	701,012	1,043
Payment of deferred costs	(924)	
Advance collections	4,630	
Other	(108)	
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>918,371</b>	<b>1,043</b>
<b>Net Increase (Decrease) in Cash and Pooled Investments</b>	<b>211,623</b>	<b>22,791</b>
Cash and Pooled Investments at July 1, 1992	3,896,201	14,543
<b>Cash and Pooled Investments at June 30, 1993</b>	<b>\$ 4,107,824</b>	<b>\$ 37,334</b>

**Noncash Transactions**

Noncash transactions are those portions of investing and financing activities that affected assets and liabilities but did not result in cash receipts or payments during the period. The following noncash transactions occurred during the year. An enterprise fund entered into a capital lease to acquire equipment totaling \$14.6 million. In addition, internal service funds made installment purchases totaling \$13.7 million to acquire equipment.

See the notes accompanying the financial statements.



**STATE OF CALIFORNIA  
COMBINED BALANCE SHEET  
UNIVERSITY OF CALIFORNIA FUNDS  
As of June 30, 1993  
(In Thousands)**

	<b>Current Funds</b>	<b>Loan Funds</b>	<b>Endowment &amp; Similar Funds</b>	<b>Plant Funds</b>	<b>Retirement System Funds</b>	<b>Total Funds</b>
<b>ASSETS</b>						
Cash and pooled investments	\$1,649,828	\$ 43,515	\$ 201,438	\$ 901,300	\$ 118,176	\$ 2,914,257
Investments			988,819		19,505,269	20,494,088
Receivables (net)	775,988	247,471	724		215,764	1,239,947
Due from other funds	220,597				126,171	346,768
Due from other governments	96,450					96,450
Inventory, at cost	97,672					97,672
Advances and loans receivable	381		16,066			16,447
Deferred charges	58,638					58,638
Fixed assets				10,021,866		10,021,866
Other assets	283,896			26,217		310,113
<b>Total Assets</b>	<b>\$3,183,450</b>	<b>\$290,986</b>	<b>\$1,207,047</b>	<b>\$10,949,383</b>	<b>\$19,965,380</b>	<b>\$35,596,246</b>
<b>LIABILITIES AND FUND EQUITY</b>						
<b>Liabilities</b>						
Accounts payable	\$1,109,623		\$ 1,095	\$ 32,211	\$ 23,290	\$ 1,166,219
Due to other funds	126,171					126,171
Advances from other funds		\$ 2,000		14,447		16,447
Deposits	143,722		142,890			286,612
Compensated absences	240,463					240,463
Mortgages and other borrowings				365,955		365,955
Net assets available for benefits					19,942,090	19,942,090
Capital lease obligations				443,959		443,959
Revenue bonds payable		34,462		1,396,260		1,430,722
<b>Total Liabilities</b>	<b>1,619,979</b>	<b>36,462</b>	<b>143,985</b>	<b>2,252,832</b>	<b>19,965,380</b>	<b>24,018,638</b>
<b>Fund Equity</b>						
Investment in general fixed assets				8,055,004		8,055,004
Fund balances						
Reserved for other specific purposes	485,169	210,860	743,599	257,889		1,697,517
Undesignated	1,078,302	43,664	319,463	383,658		1,825,087
<b>Total Fund Equity</b>	<b>1,563,471</b>	<b>254,524</b>	<b>1,063,062</b>	<b>8,696,551</b>		<b>11,577,608</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$3,183,450</b>	<b>\$290,986</b>	<b>\$1,207,047</b>	<b>\$10,949,383</b>	<b>\$19,965,380</b>	<b>\$35,596,246</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA  
COMBINED STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
UNIVERSITY OF CALIFORNIA CURRENT FUNDS  
For the Fiscal Year Ended June 30, 1993  
(In Thousands)**

<b>Revenues and Other Additions</b>	
Tuition and fees	\$ 725,020
Federal appropriations, grants, and contracts	1,195,281
State appropriations, grants, and contracts	2,006,067
Private gifts, grants, and contracts	376,807
Sales and services	
Educational activities	583,625
Auxiliary enterprises	497,799
Teaching hospitals	1,729,479
Local government	70,925
Major Department of Energy laboratories	2,501,776
Other	400,565
<b>Total Revenues and Other Additions</b>	<b>10,087,344</b>
<b>Expenditures and Other Deductions</b>	
Instruction	1,668,175
Research	1,328,030
Public services	153,677
Academic support	645,784
Teaching hospitals	1,627,666
Student services	225,306
Institutional support	384,722
Operation and maintenance of plant	262,479
Student financial aid	322,433
Auxiliary enterprises	412,377
Major Department of Energy laboratories	2,475,369
Other	29,621
<b>Total Expenditures and Other Deductions</b>	<b>9,535,639</b>
<b>Other Financing Uses</b>	
Transfers out	(374,431)
<b>Net Increase in Fund Balance</b>	<b>177,274</b>
<b>Fund Balances, July 1, 1992</b>	<b>1,386,197</b>
<b>Fund Balances, June 30, 1993</b>	<b>\$ 1,563,471</b>

See the notes accompanying the financial statements.

**STATE OF CALIFORNIA**  
**COMBINED STATEMENT OF CHANGES IN FUND BALANCES**  
**UNIVERSITY OF CALIFORNIA FUNDS**  
**For the Fiscal Year Ended June 30, 1993**  
**(In Thousands)**

	<b>Current Funds</b>	<b>Loan Funds</b>	<b>Endowment &amp; Similar Funds</b>	<b>Plant Funds</b>
<b>Revenues and Other Additions</b>				
Unrestricted current fund revenues				
General	\$ 3,368,031			
Auxiliary enterprises and hospitals	2,227,278			
Restricted gifts, grants, and contracts	4,091,470	\$ 224	\$ 44,390	\$ 71,313
Investment and interest income	190,317	7,962	885	32,888
Net gain (loss) on sale of investments	(146)		34,653	11,555
Governmental grants and contracts		4,504		667
Student fees for debt service				9,921
Governmental appropriations				86,415
Expended for plant facilities including \$333,502 financed from current funds)				537,712
Retirement of indebtedness				78,791
Other	210,394	4,709	1,160	14,739
<b>Total Revenues and Other Additions</b>	<b>10,087,344</b>	<b>17,399</b>	<b>81,088</b>	<b>844,001</b>
<b>Expenditures and Other Deductions</b>				
Current fund expenditures	9,506,018			
Plant fund expenditures				236,063
Debt service				
Principal retirement				78,791
Interest				148,328
Loss on early extinguishment of debt				23,714
Disposals of plant assets				140,065
Other	29,621	8,182	5,940	3,798
<b>Total Expenditures and Other Deductions</b>	<b>9,535,639</b>	<b>8,182</b>	<b>5,940</b>	<b>630,759</b>
Transfers in (out)	(374,431)	(2,103)	20,201	356,333
<b>Net Increase in Fund Balances</b>	<b>177,274</b>	<b>7,114</b>	<b>95,349</b>	<b>569,575</b>
Fund Balances, July 1, 1992	1,386,197	247,410	967,713	8,126,976
<b>Fund Balances, June 30, 1993</b>	<b>\$ 1,563,471</b>	<b>\$254,524</b>	<b>\$1,063,062</b>	<b>\$8,696,551</b>

See the notes accompanying the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

		<u>Page</u>
1.	Definition of the Reporting Entity .....	19
2.	Summary of Significant Accounting Policies.....	19
3.	Budgetary Basis Financial Statements.....	24
4.	Cash and Pooled Investments, Investments, and Reverse Repurchase Agreements.....	28
5.	General Fund Due From Other Funds and Due To Other Funds.....	31
6.	Restricted Assets .....	32
7.	Net Investment in Direct Financing Leases .....	33
8.	Deferred Charges .....	34
9.	Fixed Assets .....	34
10.	Compensated Absences Payable.....	35
11.	General Obligation Bonds.....	35
12.	Revenue Bonds .....	38
13.	No-Commitment Debt .....	42
14.	Commitments.....	42
15.	Fund Balance Reserved for Other Specific Purposes .....	46
16.	Fund Deficits.....	47
17.	Major Tax Revenues .....	48
18.	Pension Trusts.....	48
19.	Postretirement Health Care Benefits.....	63
20.	Deferred Compensation Plan .....	64
21.	Guaranty Deposits.....	64
22.	Segment Information—Enterprise Funds .....	64
23.	Contingencies.....	66
24.	Subsequent Events .....	69

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Definition of the Reporting Entity

The general purpose financial statements present information on the financial activities of the State of California over which the governor, the Legislature, and other elected officials have direct or indirect governing and fiscal control. The financial statements include accounts of various boards, commissions, agencies, authorities, retirement systems, the workers' compensation insurance fund, and the State's public universities.

### 2. Summary of Significant Accounting Policies

#### A. *Basis of Presentation*

The accompanying financial statements present the financial position and the results of operations of the State for the year ended June 30, 1993. Except for the University of California and the State Compensation Insurance Fund, as explained below, the financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the American Institute of Certified Public Accountants. The financial statements of the University of California have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers and by the Governmental Accounting Standards Board.

The University of California receives an annual appropriation from the State's General Fund. For the year ended June 30, 1993, approximately \$1.8 billion was accrued or disbursed from the General Fund to the University of California. This amount is reported as expenditures in the General Fund and as revenues in the University of California funds. Since this amount originally came from General Fund revenues and was ultimately spent in the University of California funds, revenues and expenditures in the amount of \$1.8 billion are reported twice in the accompanying financial statements.

The financial statements of the State Compensation Insurance Fund have been prepared in conformity with accounting practices prescribed or permitted by the Department of Insurance of the State of California. These accounting practices represent a comprehensive basis of accounting other than GAAP. The financial statements of the State Compensation Insurance Fund, included in the State's general purpose financial statements, are as of and for the year ended December 31, 1992. The State Compensation Insurance Fund represents 20.8 percent and 37.9 percent, respectively, of the assets and revenues of the enterprise funds.

#### B. *Fund Accounting*

The financial activities of the State accounted for in the accompanying financial statements have been classified as follows:

### *Governmental Fund Types*

The governmental fund types are used primarily to account for services provided to the general public without charging directly for those services. The State has three governmental fund types:

*The General Fund* is the main operating fund of the State. It accounts for transactions related to resources obtained and used for those services that do not need to be accounted for in another fund.

*Special Revenue Funds* account for transactions related to resources obtained from specific revenue sources (other than for expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Capital Projects Funds* account for transactions related to resources obtained and used to acquire or construct major capital facilities.

### *Proprietary Fund Types*

The proprietary fund types present financial data on state activities that are similar to those found in the private sector. Users are charged for the goods or services provided. The proprietary fund types are as follows:

*Enterprise Funds* account for goods or services provided to the general public on a continuing basis either when the State intends that all or most of the cost involved is to be financed by user charges or when periodic measurement of the results of operations is appropriate for management control, accountability, capital maintenance, public policy, or other purposes.

*Internal Service Funds* account for goods or services provided to other agencies, departments, or governments on a cost-reimbursement basis.

### *Fiduciary Fund Types*

The fiduciary fund types are used to account for assets held by the State, which acts as a trustee or as an agent for individuals, private organizations, other governments, or other funds. The fiduciary fund types are as follows:

*Expendable Trust Funds* account for assets held in a trustee capacity when both principal and income may be expended in the course of a fund's designated operations.

*Pension Trust Funds* account for transactions, assets, liabilities, and net assets available for plan benefits of the retirement systems.

*Agency Funds* account for assets held by the State, which acts as an agent for individuals, private organizations, other governments, or other funds. They are custodial in nature and do not measure the results of operations.

*General Fixed Assets Account Group*

This account group records those governmental fixed assets not reported in a proprietary fund or a trust fund.

*General Long-Term Obligations Account Group*

This account group records unmatured general obligation bonds and other long-term obligations generally expected to be financed from governmental funds.

*University of California*

The University of California uses the following types of funds to account for its activities:

*Current Funds* account for unrestricted funds that are expendable in pursuing the objectives of the University of California, over which the Regents of the University of California retain control, and for externally restricted funds that may be used only in accordance with specified purposes.

*Loan Funds* account for resources available primarily for loans to students and faculty.

*Endowment and Similar Funds*—Endowment funds are invested in perpetuity, and the income is used in accordance with restrictions imposed by donors. Funds functioning as endowments are established by the Regents of the University of California; the principal is maintained while the income may be expended.

*Plant Funds* account for resources available to acquire properties, to service the debt related to properties, to provide for the renewal and replacement of properties, and to account for funds invested in properties. Fixed assets of major laboratories of the United States Department of Energy are federally owned and are not included in the plant funds.

*Retirement System Funds* account for assets and liabilities of the University of California Retirement System. Certain employees of the University of California are members of the Public Employees' Retirement System.

C. *Basis of Accounting*

*Governmental Fund Types,  
Expendable Trust Funds, and Agency Funds*

The accounts of the governmental fund types and expendable trust funds are reported using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded as they become measurable and available, and expenditures are recorded at the time the liabilities are incurred. Tax revenues are recorded by the State as taxpayers earn income (personal income and bank and corporation taxes), as sales are made (consumption and use taxes), and as the taxable event occurs (miscellaneous taxes), net of estimated tax overpayments. Other revenue sources are recorded when they are earned or when they are due, provided they are measurable and available within the ensuing 12 months.

The State's accounting practices include an exception to the modified accrual basis of accounting with respect to vacation-leave expenditures. These expenditures are recorded when paid because no satisfactory basis exists for determining the current liability. However, the liability for earned leave of academic-year faculty of the California State University and the special schools of the California State Department of Education is accrued at June 30, as explained in Note 10.

Agency funds are custodial in nature and do not measure the results of operations. Assets and liabilities are recorded using the modified accrual basis of accounting.

*Proprietary Fund Types and Pension Trust Funds*

The accounts of these fund types are reported using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Lottery revenue and the related prize expense are recognized when sales are made. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

For purposes of the statement of cash flows, the State considers all cash and pooled investments in the State's pooled investment program, as discussed in Note 4, to be cash equivalents.

*University of California*

The University of California funds are accounted for on the accrual basis of accounting except for depreciation, which is recorded only on the investments of endowment and similar funds in real estate. Certain other immaterial accruals and deferrals are omitted.



D. *Fixed Assets*

*General Fixed Assets Account Group*

General fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Interest during construction has not been capitalized. Also, public domain or “infrastructure” fixed assets are not capitalized. Accumulated depreciation is not recorded in the general fixed assets account group.

*Proprietary Fund Types*

Fixed assets, consisting of property, plant, and equipment, are stated either at cost or at fair market value at the date of acquisition, less accumulated depreciation. See Note 9. They are depreciated over their estimated useful lives ranging from 3 to 100 years using the straight-line method of depreciation. Water projects, which represent 51.5 percent of the fixed assets of the enterprise funds, are depreciated over their service lives ranging from 30 to 100 years. Toll bridge and California State University dormitory facilities, which represent 16.1 percent and 10.7 percent, respectively, of the fixed assets of the enterprise funds, are not depreciated.

*Fiduciary Fund Types*

Equipment in the pension trust funds is recorded at cost. The fixed assets are not depreciated.

*University of California*

Plant and equipment assets are recorded at cost if purchased. They are recorded at fair market value at the date of acquisition if donated. The fixed assets of the plant funds are not depreciated.

E. *Budgetary Accounting*

The State’s annual budget is prepared on a modified accrual basis. The governor recommends a budget for approval by the Legislature each fiscal year. Under state law, the State cannot adopt a spending plan that exceeds anticipated revenues.

Under the state constitution, money may be drawn from the treasury only through a legal appropriation. The appropriations contained in the budget act, as approved by the Legislature and signed by the governor, are the primary sources of annual expenditure authorizations. The budget can be amended throughout the year by special legislative appropriations, budget revisions, or executive orders. Amendments to the initial budget for fiscal year 1992-93 were legally made, and they are included in the budget data in the accompanying financial statements.

Appropriations are generally available for expenditure or encumbrance either in the fiscal year appropriated or for a period of three years if the legislation does not specify a period of availability. Some appropriations continue indefinitely and are available until fully spent. Generally, encumbrances must be liquidated within two years from the end of the period when the appropriation is available. If the encumbrances are not liquidated within this additional two-year period, the spending authority for these encumbrances lapses.

State agencies are responsible for exercising basic budgetary control and ensuring that appropriations are not overspent. The State Controller's Office is responsible for overall control of appropriations.

### **3. Budgetary Basis Financial Statements**

#### **A. *Budgeted Revenues***

In the annual budgeting process, the governor estimates revenues. However, revenues are not included in the budget adopted by the Legislature.

#### **B. *General Fund Reconciliation of Budgetary Basis With GAAP Basis***

The State annually reports its financial condition based on GAAP (GAAP basis) and also based on the State's budgetary provisions (budgetary basis). The State of California Annual Report (the budgetary basis financial report) is prepared in accordance with statutory and regulatory requirements and is used for reporting on the execution of the State's budget. The accounting records of state agencies are maintained on the budgetary basis for the primary purpose of maintaining accountability of the State's budget and other fiscal legislation; these records are used as the basis for audit. After the budgetary basis financial report is prepared, adjustments are made to prepare the GAAP basis financial statements.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual (Budgetary Basis) is compiled on the budgetary basis. This statement is reconciled with the general purpose financial statements prepared in accordance with GAAP as shown below. The primary differences between the budgetary basis accounting practices and GAAP are as follows:

#### ***Advances and Loans Receivable***

Generally, loans made to other funds or to other governments are recorded as expenditures on the budgetary basis. However, in accordance with GAAP, these loans are recorded as assets. The adjustments related to this loan activity caused a net decrease to the deficit in the fund balance of \$148 million.

### *Compensated Absences*

As discussed in Note 10, the liability totaling \$80 million for earned leave compensation of academic-year faculty of the California State University and of the special schools of the California Department of Education was not accrued on the budgetary basis because the funds to pay this liability were budgeted in the 1993-94 appropriation. This adjustment caused an \$80 million increase to the deficit in the fund balance.

### *Liabilities Exceeding Available Appropriations*

On a budgetary basis, the State does not accrue liabilities for which there is no existing appropriation or no currently available appropriation. The adjustments made to account for these liabilities in accordance with GAAP caused a net increase to the deficit in the fund balance of \$250 million.

### *Restatement of Fund Balance*

The beginning fund balance of the General Fund on the budgetary basis is adjusted to reflect the difference between the net expenditures and revenues that were accrued the previous June 30 and the amount of actual revenues and net expenditures that were subsequently realized. The beginning fund balance on the GAAP basis is not affected by these adjustments.

### *Other*

Other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. The following adjustments caused a net increase to the deficit in the fund balance of \$123 million. Receivables related to tax revenues were overstated by approximately \$101 million. In addition, liabilities totaling \$22 million were not included on the budgetary basis although appropriations were available.

**STATE OF CALIFORNIA  
GENERAL FUND  
RECONCILIATION OF BUDGETARY BASIS WITH GAAP BASIS  
As of and for the Year Ended June 30, 1993  
(In Thousands)**

Adjustments to the Budgetary Basis							
	Budgetary Basis	Advances and Loans Receivable	Compensated Absences	Liabilities Exceeding Available Appropriations	Restatement of Fund Balance	Other	GAAP Basis
ASSETS							
Cash and pooled investments	\$ 131,120					\$ 495	\$ 131,615
Receivables (net)	198,980					(28,008)	170,972
Due from other funds	5,354,389	\$ (973,000)				(256,054)	4,125,335
Due from other governments	29,045	1,127				28,008	58,180
Prepaid expenses	225,794					1,141	226,935
Advances and loans receivable	2,851	1,120,372				(2,851)	1,120,372
Other assets	1,088						1,088
Total Assets	\$ 5,943,267	\$ 148,499				\$(257,269)	\$ 5,834,497
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts payable	\$ 659,974					\$ (28,462)	\$ 631,512
Due to other funds	4,373,885			\$ 208,928		(117,684)	4,465,129
Due to other governments	846,838			40,888		12,038	899,764
Deposits	19						19
Contracts and notes payable	2,000,000						2,000,000
Compensated absences payable			\$ 80,120				80,120
Advance collections	11,310						11,310
Interest payable	248,336					(590)	247,746
Other liabilities	42,861						42,861
Total Liabilities	8,183,223		80,120	249,816		(134,698)	8,378,461
Fund Equity							
Fund balances							
Reserved for encumbrances	372,013					(29,449)	342,564
Reserved for advances and loans		\$1,120,372					1,120,372
Reserved for continuing appropriations	45,008						45,008
Reserved for other specific purposes	150,898					55,000	205,898
Total Reserved	567,919	1,120,372		249,816		25,551	1,713,842
Unreserved							
Undesignated (deficit)	(2,807,875)	(971,873)	(80,120)	(249,816)		(148,122)	(4,257,806)
Total Fund Equity (Deficit)	(2,239,956)	148,499	(80,120)	(249,816)		(122,571)	(2,543,964)
Total Liabilities and Fund Equity	\$ 5,943,267	\$ 148,499	\$ 0	\$ 0		\$(257,269)	\$ 5,834,497
REVENUES							
Taxes	\$39,197,235				\$ (95,117)	\$384,557	\$39,486,675
Licenses and permits	66,966				(103)	59,637	126,500
Natural resources	12,832				13		12,845
Charges for services	90,043				(19,934)	47,514	117,623
Fees	198,464				388	28,092	226,944
Penalties	221,675				(1,986)	90	219,779
Interest	231,945	\$ 2,931			(11,577)	1,743	225,042
Other	219,597				(419)	18,820	237,998
Total Revenues	40,238,757	2,931			(128,735)	540,453	40,653,406
EXPENDITURES							
Current							
General government	1,390,434	(3,627)		\$ 167,143	(25,123)	23,239	1,552,066
Education	20,445,897	(11,585)	\$ (9,312)	(12,374)	(1,163,866)	16,836	19,265,596
Health and welfare	13,031,975	(65,622)		7,670	47,772	82,211	13,104,006
Resources	445,661				(1,794)	1,446	445,313
State and consumer services	269,232				(1,205)	(3,068)	264,959
Business and transportation	34,435				(128)	26,263	60,570
Correctional programs	2,682,295			16,667	(12,000)	(78)	2,686,884
Property tax relief	811,558	(10,317)		1,980	4,667	165	808,053
Debt service							
Principal retirement	672,372					(20,965)	651,407
Interest and fiscal charges	955,120			(10,086)	65,186	(33,400)	976,820
Total Expenditures	40,738,979	(91,151)	(9,312)	171,000	(1,086,491)	92,649	39,815,674
OTHER FINANCING SOURCES (USES)							
Operating transfers in	715,151	(106,925)				5,233	613,459
Operating transfers out	(184,030)	27,486				(5,436)	(161,980)
Other additions	78,396					(78,396)	
Net Other Financing Sources (Uses)	609,517	(79,439)				(78,599)	451,479
Excess of Revenues and Other Sources Over (Under)							
Expenditures and Other Uses	109,295	14,643	9,312	(171,000)	957,756	369,205	1,289,211
Fund Balance (Deficit), July 1, 1992, as restated	(2,349,251)	133,856	(89,432)	(78,816)	(957,756)	(491,776)	(3,833,175)
Fund Balance (Deficit), June 30, 1993	\$(2,239,956)	\$ 148,499	\$ (80,120)	\$(249,816)	\$ 0	\$(122,571)	\$ (2,543,964)

C. *Special Revenue Funds Reconciliation of Budgetary Basis With GAAP Basis*

The primary differences between the budgetary basis accounting practices and GAAP for special revenue funds are as follows:

*Grant Commitments to Local Agencies*

Grants to local agencies are generally recorded as encumbrances on the budgetary basis when the commitments are made. However, in accordance with GAAP, these commitments are not reported as encumbrances. See Note 14.

*Encumbrances*

In addition to the difference in accounting for certain commitments as encumbrances as discussed above, the State does not record certain encumbrances on a budgetary basis that are recorded on a GAAP basis.

*Advances and Loans Receivable*

Loans made to other funds or to other governments are recorded as expenditures on the budgetary basis. However, in accordance with GAAP, these loans are recorded as assets.

*Other*

Certain other adjustments and reclassifications are necessary to present the financial statements in accordance with GAAP. These items include amounts designated for future highway construction, deposits for condemnation proceedings, liabilities for claims arising from lawsuits, and various miscellaneous items.

**RECONCILIATION OF BUDGETARY BASIS WITH GAAP BASIS**  
**(In Thousands)**

Budgetary Basis Fund Balance	\$2,873,157
Grant commitments to local agencies	2,121,275
Encumbrances	(803,586)
Advances and loans receivable	795,316
Other	128,033
<b>GAAP Basis Total Fund Equity</b>	<b>\$5,114,195</b>

**D. *Budgetary Basis Undesignated Fund Balance—Available for Appropriation***

The budgetary basis undesignated fund balance available for appropriation represents the amount of funding available to finance the State's budgetary plan for the next year. However, there was a deficit in this account as of June 30, 1993. Thus, there was no funding available from the current year to finance the fiscal year 1993-94 budgetary plan. The following schedule reconciles the budgetary basis fund balance with the budgetary basis undesignated—available for appropriation and the GAAP basis undesignated fund balance (in thousands):

	<b>General Fund</b>	<b>Special Revenue Funds</b>
Budgetary Basis Fund Balance (Deficit)	\$(2,239,956)	\$ 2,873,157
Reserved for encumbrances	(372,013)	(2,665,465)
Reserved for continuing appropriations	(45,008)	(5,319,386)
Reserved for other specific purposes	(150,898)	
Unreserved		
Budgetary basis undesignated—available for appropriation (deficit)	(2,807,875)	(5,111,694)
GAAP Basis Adjustments:		
Reserved for encumbrances	(29,449)	803,586
Reserved for continuing appropriations		3,014,649
Reserved for other specific purposes	55,000	(65,770)
Other	(1,475,482)	1,445,722
<b>GAAP Basis Undesignated (Deficit)</b>	<b>\$(4,257,806)</b>	<b>\$ 86,493</b>

**4. Cash and Pooled Investments, Investments, and Reverse Repurchase Agreements**

The State Treasurer's Office and the treasurer of the Regents of the University of California each administer a pooled investment program. These programs enable the treasurers to combine available cash from all funds within their respective systems and to invest cash that exceeds current needs. The enterprise funds, trust and agency funds, and University of California funds also have separate investments.

As of June 30, 1993, the average remaining life of the securities in the pooled investment program administered by the State Treasurer's Office was approximately 11 months. The average remaining life of the securities in the pooled investment program administered by the

treasurer of the Regents of the University of California was approximately 19 months. These securities are reported at cost if purchased and at market value at the date of acquisition if donated.

Further, the State Treasurer's Office has agreements with certain banks to maintain cash on deposit that does not earn interest income for the State. Income earned on these deposits compensates the banks for services and uncleared checks that are deposited in the State's accounts.

The following sections, A through C, relate to the activities of the State, excluding the University of California. Section D presents the investments of the University of California.

#### A. *Deposits*

All demand and time deposits, totaling approximately \$721 million, that were held by financial institutions at year end were insured by federal depository insurance or by collateral held by the State or by an agent of the State in the State's name. The California Government Code requires collateral pledged for demand and time deposits to be deposited with the State Treasurer.

As of June 30, 1993, the State had amounts on deposit with fiscal agents totaling approximately \$42 million. These deposits, which were for principal and interest payments due to bond holders, are not collateralized.

#### B. *Investments*

State statutes, bond resolutions, and investment policy resolutions allow the State to invest in United States government securities, Canadian government securities, state and municipal securities, certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, mortgage loans and notes, other debt securities, repurchase agreements, equity securities, real estate, investment agreements, mutual funds, and other investments.

All investments reported as of June 30, 1993, were insured or registered in the State's name or held by the State or an agent of the State in the State's name except for \$471 million in the enterprise funds and \$352 million in the trust and agency funds. These investments included uninsured and unregistered investments held by the trust department or the agent of another party to the transaction of which \$66 million are in the State's name and \$757 million are not in the State's name. The types of investments reported at year end are representative of the types of investments made during the fiscal year. Furthermore, the credit risk associated with the investments reported at year end is representative of the credit risk associated with investments made during the fiscal year.

The following table presents the carrying value and market value of the investments that were reported by the State on June 30, 1993 (in thousands):

	Pooled Investments		Separately Invested Funds			
	Carrying Value	Market Value	Enterprise Funds		Trust and Agency Funds	
			Carrying Value	Market Value	Carrying Value	Market Value
U.S. government securities and U.S. government agency securities	\$ 8,325,228	\$ 8,677,558	\$5,716,798	\$6,359,021	\$ 20,158,581	\$ 22,861,978
Canadian government securities			65,510	75,636	480,948	547,312
State and municipal securities			29,968	29,774		
Certificates of deposit	3,708,295	3,708,295	94	94	1,092,601	1,092,601
Bankers' acceptances	1,575,932	1,582,949				
Commercial paper	5,719,623	5,719,623	4,158	4,158	2,717,670	2,717,670
Corporate bonds	1,190,876	1,205,041	1,873,097	1,986,947	13,321,483	14,680,377
Mortgage loans and notes					12,663,575	13,967,221
Other debt securities					4,495,500	4,584,901
Repurchase agreements	75,000	75,000			178,000	178,000
Equity securities			3,867	4,371	38,096,433	54,810,170
Real estate					8,134,042	6,454,948
Investment agreements			1,154,392	1,154,392	14,317	14,317
Mutual funds					611,007	611,007
Other investments			185,068	185,182	1,929,891	1,918,274
<b>Total Investments</b>	<b>\$20,594,954</b>	<b>\$20,968,466</b>	<b>\$9,032,952</b>	<b>\$9,799,575</b>	<b>\$103,894,048</b>	<b>\$124,438,776</b>

The market values of the investments in certain certificates of deposit, commercial paper, and repurchase agreements approximate their carrying values because of the short-term nature of those securities.

Included in the investments of the enterprise funds are the investments of the State Compensation Insurance Fund as of and for the year ended December 31, 1992. The State Compensation Insurance Fund represents 60 percent of the carrying value and 60 percent of the market value of the enterprise funds' investments.

### C. *Reverse Repurchase Agreements*

The California Government Code allows the State to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract amount of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the State or provide securities or cash of equal value, the State will suffer an economic loss equal to the difference between the market value plus the accrued interest of the underlying securities and the agreement obligation, including accrued interest. During fiscal year 1992-93, the State entered into 31 reverse repurchase agreements by temporarily selling investments with a carrying value of approximately \$3.5 billion. At June 30, 1993, the State did not have any reverse repurchase agreements.



**D. *Investments of the University of California***

As discussed in Note 2A, the financial statements of the University of California have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers and by the Governmental Accounting Standards Board. The investments of the endowment and similar funds and the investments of the pooled investment program are reported at cost if purchased. They are recorded at market value at the date of acquisition if donated. The investments of the University of California Retirement System Funds are reported at market value. As of June 30, 1993, the pooled and temporary investments had a carrying value of approximately \$2.3 billion, which approximates market value.

The following schedule presents the investments other than those of the pooled investment program as of June 30, 1993 (in thousands):

	<b>Endowment and Similar Funds</b>		<b>University of California Retirement System Funds</b>	
	<b>Carrying Value</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
Equities	\$530,544	\$1,162,219	\$ 5,820,255	\$11,940,204
Bonds	315,716	356,424	3,446,285	4,201,663
High-yield equities	129,599	260,913	1,046,875	1,998,400
Mortgage loans and notes	3,457	3,241	1,196	1,102
Miscellaneous investments	3,640	3,640	1,363,900	1,363,900
Real Estate	5,863			
<b>Total Investments</b>	<b>\$988,819</b>	<b>\$1,786,437</b>	<b>\$11,678,511</b>	<b>\$19,505,269</b>

**5. General Fund Due From Other Funds and Due to Other Funds**

The balances of due from other funds and due to other funds are shown in the following tables:

<b>Due From Other Funds</b>	<b>Amount (in Millions)</b>
Retail Sales Tax Fund	\$1,297.1
Personal Income Tax Fund	673.5
Estate Tax Fund	343.6
Health Care Deposit Fund	234.7
State School Fund	230.0
Federal Trust Fund	187.2
Welfare Advance Fund	174.5
All Others	984.7
<b>Total</b>	<b>\$4,125.3</b>

<b>Due To Other Funds</b>	<b>Amount (in Millions)</b>
Pooled Money Investment Account Loans	\$1,631.1
Health Care Deposit Fund	824.3
Public Employees' Retirement Fund	330.1
Motor Vehicle License Fee Account	178.6
Federal Trust Fund	164.6
State Highway Account	152.6
Bank and Corporate Tax Fund	131.0
State School Fund	130.4
Motor Vehicle Account	103.5
All Others	818.9
<b>Total</b>	<b>\$4,465.1</b>

## 6. Restricted Assets

The following schedule presents a summary of the legal restrictions on assets of the enterprise funds and the purposes for which the assets were restricted as of June 30, 1993 (in thousands):

Purpose	Cash and Pooled Investments	Investments	Due From Other Funds	Other Assets
Debt service	\$1,192,624	\$995,223	\$ 1,150	
Construction	461,228		17,441	\$20,852
Deposits	6,379			
Equipment repair and replacement	69,660		2,182	
Operations	3,824			
<b>Total Restricted Assets</b>	<b>\$1,733,715</b>	<b>\$995,223</b>	<b>\$ 20,773</b>	<b>\$20,852</b>

## 7. Net Investment in Direct Financing Leases

The State Public Works Board has entered into lease-purchase agreements with various state agencies and community colleges. See Note 14A. The payments from these leases will be used to satisfy the principal and interest requirements of revenue bonds issued by the State Public Works Board to finance the construction of facilities for the correctional and higher educational institutions and energy efficiency projects for various state agencies. Upon expiration of these leases, jurisdiction of the facilities and projects will be with the respective institution, agency, or community college.

The minimum lease payments to be received are summarized below (in thousands):

Year Ending June 30	State Agencies	Community Colleges	Total
1994	\$ 196,618	\$ 7,678	\$ 204,296
1995	197,053	8,640	205,693
1996	200,201	8,969	209,170
1997	198,986	8,472	207,458
1998	194,103	8,374	202,477
Thereafter	2,239,400	126,409	2,365,809
Total minimum lease payments	3,226,361	168,542	3,394,903
Less unearned income	1,512,866	88,418	1,601,284
<b>Net investment in direct financing leases</b>	<b>\$1,713,495</b>	<b>\$ 80,124</b>	<b>\$1,793,619</b>

## 8. Deferred Charges

The deferred charges account in the enterprise fund type primarily represents operating and maintenance costs and unrecovered capital costs that will be recognized as expenses over the remaining life of long-term state water project contracts because these costs are billable in future years. In addition, the account includes imputed interest earnings on unrecovered capital and operating costs that are recorded as deferred charges until they are billed in future years under the terms of the state water project contracts.

## 9. Fixed Assets

The following is a summary of changes in the general fixed asset account group for the year ended June 30, 1993 (in thousands):

	Balance July 1, 1992	Additions	Deletions	Balance June 30, 1993
Land	\$ 1,512,858	\$ 132,326	\$ 21,528	\$ 1,623,656
Structures and improvements	6,577,641	429,281	40,990	6,965,932
Equipment	2,305,535	326,631	91,125	2,541,041
Construction in progress	1,275,467	376,144	257,361	1,394,250
<b>Total General Fixed Assets</b>	<b>\$11,671,501</b>	<b>\$1,264,382</b>	<b>\$411,004</b>	<b>\$ 12,524,879</b>

The following schedule summarizes the fixed assets of the enterprise funds, internal service funds, pension trust funds, and the University of California as of June 30, 1993 (in thousands):

	Enterprise	Internal Service	Pension Trust	University of California
State water projects	\$3,308,083			
Toll facilities	842,604			
Other land, improvements, buildings, and equipment	950,966	\$497,328	\$11,718	\$ 9,256,690
Construction in progress	1,536,573			765,176
<b>Total Fixed Assets</b>	<b>6,638,226</b>	<b>497,328</b>	<b>11,718</b>	<b>10,021,866</b>
<b>Less accumulated depreciation</b>	<b>(1,102,334)</b>	<b>(252,781)</b>		
<b>Net Fixed Assets</b>	<b>\$5,535,892</b>	<b>\$244,547</b>	<b>\$11,718</b>	<b>\$10,021,866</b>

## 10. Compensated Absences Payable

As of June 30, 1993, the State's estimated liability for compensated absences related to accumulated vacation leave totaled to approximately \$1.3 billion. Of this amount, \$879 million is reported in the General Long-Term Obligations Account Group, \$59 million is reported in the proprietary fund types, \$240 million is reported in the University of California fund type, and \$80 million for earned leave compensation of academic-year faculty of the California State University and of the special schools of the State Department of Education is reported as a current liability in the State's General Fund. Accumulated sick-leave balances do not vest to employees. However, unused sick-leave balances convert to service credits upon retirement.

## 11. General Obligation Bonds

The state constitution permits the State to issue general obligation bonds for specific purposes and in such amounts as approved by a two-thirds majority of both houses of the Legislature and by a majority of voters in a general or direct primary election. The debt service for general obligation bonds is appropriated from the General Fund. Under the state constitution, the General Fund is used, first, to support the public school system and public institutions of higher education. The General Fund can then be used to service the debt on outstanding general obligation bonds. Enterprise funds reimburse the General Fund for the debt service provided on their behalf.

### A. *Changes in Bond Indebtedness*

The following schedule summarizes the changes in general obligation bond debt for the year ended June 30, 1993 (in thousands):

	Balance July 1, 1992	Additions	Deductions	Balance June 30, 1993
General long-term obligations	\$11,311,245	\$2,617,897	\$666,950	\$13,262,192
Enterprise funds	4,635,480		257,105	4,378,375
<b>Total General Obligation Bonds</b>	<b>\$15,946,725</b>	<b>\$2,617,897</b>	<b>\$924,055</b>	<b>\$17,640,567</b>

General obligation bonds that are directly related to and expected to be paid from the resources of enterprise funds are included within the accounts of such funds in the accompanying financial statements. However, the General Fund may be liable for the payment of any principal and interest on these bonds that is not met from the resources of such funds.

B. *Bonds Outstanding and Bonds Authorized but Unissued*

The following schedule shows general obligation bonds outstanding and bonds authorized but unissued as of June 30, 1993 (in thousands):

	Outstanding	Authorized but Unissued
<b>General Long-Term Obligations</b>		
School Facilities	\$ 3,782,902	\$2,009,294
New Prison Construction	1,792,900	290,000
Higher Education Facilities	1,383,475	822,000
State School Building Lease-Purchase	1,283,325	
Passenger Rail and Clean Air	514,170	475,900
Clean Air and Transportation Improvement	510,130	1,477,300
California Wildlife, Coastal, and Park Land Conservation	475,080	271,000
County Correctional Facility Capital Expenditure	447,580	13,000
Clean Water	402,115	10,000
Housing and Homeless	401,135	
County Jail Capital Expenditure	373,175	
County Correctional Facility		
Capital Expenditure and Youth Facility	318,645	166,000
California Park and Recreational Facilities	278,550	31,000
California Safe Drinking Water	214,840	130,000
Clean Water and Water Conservation	170,875	15,000
California Parklands	140,510	2,000
California Earthquake Safety and Housing Rehabilitation	140,005	
Community Parklands	91,520	
State, Urban, and Coastal Park	90,925	11,000
Water Conservation and Water Quality	84,440	62,000
Lake Tahoe Acquisitions	65,145	5,000
State Beach, Park, Recreational and Historical Facilities	62,200	
Fish and Wildlife Habitat Enhancement	57,880	11,000
Clean Water and Water Reclamation	36,635	28,000
California Library Construction and Renovation	35,160	39,000
Senior Center	32,500	
Health Science Facilities Construction Program	27,225	
Community College Construction Program	15,250	
Earthquake Safety and Public Buildings Rehabilitation	12,350	287,000
Water Conservation	4,950	55,000
State Higher Education Construction Program	4,800	
State Construction Program	4,300	
Harbor Development	4,000	
Recreation and Fish and Wildlife Enhancement	3,500	
<b>Total General Long-Term Obligations</b>	<b>13,262,192</b>	<b>6,210,494</b>
<b>Enterprise Funds</b>		
Veterans	3,015,850	639,900
California Water Resources Development	1,198,655	171,000
State School Building Aid	84,150	40,000
Hazardous Substance Cleanup	77,275	
First-Time Home Buyers	2,445	185,000
<b>Total Enterprise Funds</b>	<b>4,378,375</b>	<b>1,035,900</b>
<b>Total General Obligation Bonds</b>	<b>\$17,640,567</b>	<b>\$7,246,394</b>

### C. *Debt Service Requirements*

The following schedule shows the debt service requirements for general obligation bonds, including interest of \$11.3 billion, as of June 30, 1993 (in thousands):

<b>Year Ending June 30</b>	<b>General Long-Term Obligations</b>	<b>Enterprise Funds</b>
1994	\$ 1,713,227	\$ 507,670
1995	1,648,690	500,697
1996	1,583,438	482,106
1997	1,521,881	461,746
1998	1,394,895	434,254
Thereafter	13,525,359	5,155,428
<b>Total</b>	<b>\$21,387,490</b>	<b>\$7,541,901</b>

## 12. **Revenue Bonds**

With approval in advance from the Legislature, certain state agencies may issue revenue bonds. Principal and interest on revenue bonds are payable from the earnings of the respective enterprise funds of the agencies listed in Section B of this note or from resources of certain plant funds or loan funds of the University of California. The General Fund has no legal liability for payment of principal and interest on revenue bonds.

The Department of Water Resources, the California State University, the California Transportation Commission, the State Public Works Board, and the University of California issue revenue bonds to acquire, construct, or renovate state facilities, or to refund outstanding revenue bonds in advance. The California Housing Finance Agency, the Department of Veterans Affairs, and the California National Guard issue revenue bonds allowing the State to make loans to finance housing development and to finance the acquisition of farms and homes by California veterans and National Guard members. When the farm and home loans financed by the revenue bonds are fully paid, the farms and homes become the property of private individuals or entities.

### A. *Changes in Bond Indebtedness*

The following schedule summarizes the changes in revenue bond debt for the year ended June 30, 1993 (in thousands):



	Balance July 1, 1992	Additions	Deductions	Balance June 30, 1993
Enterprise funds	\$ 9,669,168	\$2,455,822	\$2,092,724	\$10,032,266
University of California	1,490,307	295,040	354,625	1,430,722
<b>Total Revenue Bonds</b>	<b>\$11,159,475</b>	<b>\$2,750,862</b>	<b>\$2,447,349</b>	<b>\$11,462,988</b>

**B. *Revenue Bonds Outstanding***

The following schedule shows revenue bonds outstanding as of June 30, 1993 (in thousands):

	Outstanding
<b>Enterprise Funds</b>	
State Public Works Board	\$ 3,533,590
California Housing Finance Agency	3,497,799
Department of Water Resources	1,753,035
Department of Veterans Affairs	853,495
California State University	313,527
California Transportation Commission	72,136
California National Guard	8,684
<b>Total Enterprise Funds</b>	<b>10,032,266</b>
<b>University of California</b>	
Regents of the University of California	1,430,722
<b>Total Revenue Bonds</b>	<b>\$11,462,988</b>

**C. *Debt Service Requirements***

The following schedule shows the debt service requirements for revenue bonds, including interest of \$11.5 billion, as of June 30, 1993 (in thousands):

Year Ending June 30	Enterprise Funds	University of California
1994	\$ 1,065,458	\$ 105,389
1995	801,850	112,625
1996	822,444	112,203
1997	825,891	111,665
1998	817,841	116,674
Thereafter	15,597,866	2,487,453
<b>Total</b>	<b>\$19,931,350</b>	<b>\$3,046,009</b>

D. *Early Extinguishments of Debt*

*Fiscal Year 1992-93 Defeasances*

During the year ended June 30, 1993, the State Public Works Board issued approximately \$592.0 million of Lease Revenue Refunding Bonds, 1993 Series A, and used the proceeds to satisfy a debt of \$512.5 million of Lease Revenue Bonds, Series A. The board invested the \$592.0 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to redeem the bonds as they become due. As of June 30, 1993, all of the bonds to be refunded remained outstanding. Since the escrow arrangements effectively release the board from its obligations for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

Although the advance refunding resulted in the recognition of an accounting loss of \$25.8 million for the year ended June 30, 1993, the board in effect reduced its aggregate debt service payments by \$19.2 million over the next 27 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$12.3 million.

During the year ended June 30, 1993, the Department of Water Resources issued approximately \$537.8 million of Central Valley Project Water System Revenue Bonds, Series L, and used the proceeds to satisfy a debt of \$6.7 million of Central Valley Project Power Facilities Revenue Bonds, Series D, and \$482.5 million of Central Valley Project Water System Revenue Bonds, Series A, B, G, H, and I. The department invested the \$537.8 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to redeem the bonds as they become due. As of June 30, 1993, all of the bonds

to be refunded remained outstanding. Since the escrow arrangements effectively release the department from its obligations for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

Although the advance refunding resulted in the recognition of an accounting loss of \$44.7 million for the year ended June 30, 1993, the department in effect reduced its aggregate debt service payments by \$76.6 million over the next 32 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$35.1 million.

During the year ended June 30, 1993, the University of California issued approximately \$255 million of California Housing System Revenue Bonds, Series A, and used the proceeds along with \$7 million of other available funds to satisfy a debt of \$238 million of Group A Housing System Revenue Bonds, Series E, I, J, K, L, T, U, V, W, and X. The university deposited the proceeds of \$255 million and the other available funds of \$7 million in an irrevocable trust held by an escrow agent. The investment and interest will be sufficient to redeem the bonds as they become due. As of June 30, 1993, all of the bonds to be refunded remained outstanding. Since the escrow arrangements effectively release the university from its obligation for the bonds, the liability is not included on the combined balance sheet, nor are the related investments.

Although the advance refunding resulted in the recognition of an accounting loss of \$24 million, the university reduced its aggregate debt service payments by \$39 million over the next 25 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$22 million.

During the year ended June 30, 1993, the California State University used available funds of approximately \$23.9 million to satisfy a debt of \$23.2 million of California State University Housing System Revenue Bonds, Series A, D, E, F, G and H. The university invested the \$23.9 million in United States government securities and placed the securities in irrevocable escrow with the State Treasurer's Office. The investment and interest will be sufficient to redeem certain of the California State University Housing System Revenue Bonds, Series A, D, E, F, G and H, as they become due. As of June 30, 1993, the entire \$23.2 million remained outstanding. Since the escrow agreements effectively release the university from its obligations for the \$23.2 million, the liability for the bonds is not included on the combined balance sheet, nor are the related investments.

#### *Prior Year Defeasances*

In prior years, the Department of Water Resources and the California State University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the State Treasurer's Office to provide for all future debt service payments on

the old bonds. Accordingly, the assets and the liability for the defeased bonds are not included in the State's financial statements. On June 30, 1993, \$467.2 million of bonds outstanding are considered defeased.

### 13. No-Commitment Debt

State legislation created various authorities to provide certain private and public entities with a low-cost source of capital financing for constructing or obtaining land, facilities, or equipment deemed to be in the public interest. This debt is secured solely by the credit of the private and public entities and, except for approximately \$27 million in Pollution Control Bonds administered by the State Treasurer's Office, is administered by trustees independent of the State. The State has no obligation for this debt. Accordingly, these bonds are not reported in the accompanying financial statements.

The following schedule shows no-commitment debt outstanding as of June 30, 1993 (in thousands):

	Outstanding
Health Facilities Financing Authority	\$ 4,968,646
Pollution Control Financing Authority	3,748,324
Educational Facilities Authority	1,194,706
Alternative Energy Source Financing Authority	70,050
School Finance Authority	24,375
Urban Waterfront Area Restoration Financing Authority	3,290
<b>Total No-Commitment Debt</b>	<b>\$10,009,391</b>

### 14. Commitments

#### A. Leases

The aggregate amount of lease commitments for facilities and equipment, excluding leases between the University of California and nonstate entities, in effect as of June 30, 1993, is approximately \$5.8 billion. This amount does not include any future escalation charges for real estate taxes and operating expenses. Most state leases are classified as operating leases, and they contain clauses providing for termination. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

The minimum lease commitments are summarized below (in thousands):

<b>Year Ending June 30</b>	<b>Operating Leases</b>	<b>Capital Leases</b>	<b>Total</b>
1994	\$ 238,068	\$ 266,341	\$ 504,409
1995	212,127	260,314	472,441
1996	181,257	274,652	455,909
1997	158,937	258,976	417,913
1998	136,449	254,398	390,847
Thereafter	305,815	3,210,714	3,516,529
<b>Total Minimum Lease Payments</b>	<b>\$1,232,653</b>	<b>4,525,395</b>	<b>\$5,758,048</b>
<b>Less amount representing interest</b>		<b>2,161,029</b>	
<b>Present Value of Net Minimum Lease Payments</b>		<b>\$2,364,366</b>	

Lease expenditures for the year ended June 30, 1993, amounted to approximately \$419 million.

Included in the capital lease commitments are lease-purchase agreements that certain state agencies have entered into with the State Public Works Board amounting to a present value of net minimum lease payments of \$1.7 billion, which represents 72 percent of the total present value of minimum lease payments. See Note 7.

Also included in the capital lease commitments are some lease-purchase agreements to acquire office buildings and electronic data processing and other equipment. The acquisition or development of the office buildings is financed by joint powers authorities and private corporations that then lease the facilities to the State. Upon expiration of these leases, title to the facilities and equipment will pass to the State.

The following schedule presents a summary of the capital lease commitments as of June 30, 1993 (in thousands):

	<b>Present Value of Minimum Lease Payments</b>	<b>Interest</b>	<b>Total Minimum Lease Payments</b>
Leases with the State Public Works Board for:			
California State Prison			
Corcoran	\$ 250,003	\$ 157,179	\$ 407,182
Del Norte	256,164	179,451	435,615
Madera	131,113	111,237	242,350
Amador	124,961	68,051	193,012
Imperial	226,924	293,553	520,477
Kern	56,549	21,380	77,929
California State University			
San Jose	27,538	22,120	49,658
Fresno	14,639	16,859	31,498
Humboldt	12,037	10,267	22,304
Long Beach	15,852	13,717	29,569
Sacramento	23,170	28,995	52,165
San Diego (San Marcos Campus)	15,451	22,151	37,602
Northridge	16,457	17,401	33,858
Pomona	1,686	2,156	3,842
San Luis Obispo	9,583	10,248	19,831
Chico	2,102	2,045	4,147
O'Connell Technology Center	12,540	13,087	25,627
University of California			
Irvine	103,765	115,571	219,336
Davis	71,462	79,916	151,378
Berkeley	57,551	50,127	107,678
Los Angeles	54,675	56,743	111,418
San Diego	114,969	128,003	242,972
Santa Cruz	20,732	21,509	42,241
Santa Barbara	20,806	17,955	38,761
Various state energy efficiency projects			
Phase I	35,546	14,114	49,660
Phase II	12,736	4,430	17,166
Franchise Tax Board	24,484	34,601	59,085
<b>Subtotal</b>	<b>1,713,495</b>	<b>1,512,866</b>	<b>3,226,361</b>

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
Leases with entities other than the Public			
Works Board for:			
Ronald Reagan Building	182,925	181,075	364,000
San Francisco State Building	47,285	62,676	109,961
Franchise Tax Board	36,870	21,319	58,189
Department of Corrections	13,023	5,030	18,053
Department of Motor Vehicles			
Arvin	1,690	701	2,391
Escondido	1,806	993	2,799
Indio	993	7	1,000
Sacramento	14,147	4,694	18,841
Department of General Services			
Telecommunications Division	6,392	8,122	14,514
Buildings and Grounds (CADA)	7,245	5,374	12,619
Health and Welfare Data Center	3,981	2,975	6,956
Santa Ana Civic Center	3,289	1,751	5,040
California Highway Patrol			
Buttonwillow	2,071	809	2,880
Fort Tejon	2,724	971	3,695
Hanford	4,696	1,989	6,685
Indio	11,509	4,712	16,221
Modesto	8,617	3,668	12,285
Newhall	7,646	2,641	10,287
Rancho Cucamonga	14,901	8,478	23,379
San Andreas	308	75	383
Susanville	1,417	837	2,254
L.A. State Parking Facility	859	245	1,104
Department of Transportation	328	57	385
East Bay State Building Authority	126,165	119,208	245,373
Board of Equalization	95,474	197,346	292,820
California State University			
Chancellor's Office	4,692	5,166	9,858
Prison Industry	447	73	520
Equipment	43,663	7,171	50,834
Lottery	5,708		5,708
Subtotal	650,871	648,163	1,299,034
<b>Total Capital Leases</b>	<b>\$2,364,366</b>	<b>\$2,161,029</b>	<b>\$4,525,395</b>

Rental expenditures under capital and noncancelable operating leases between the University of California and nonstate entities for the year ended June 30, 1993, totaled \$111 million. Minimum payments required under these leases in fiscal year 1993-94 are \$34.5 million and decrease in amount thereafter.

**B. *Highway Construction***

The State has made commitments of \$2.3 billion for certain highway construction projects. These commitments are not included in the reserve for encumbrances in the special revenue funds because the future expenditures related to these commitments are expected to be reimbursed from local governments and proceeds of approved federal grants. The ultimate liability will not accrue to the State.

**C. *Other***

As of June 30, 1993, the State, excluding the University of California, had other commitments totaling \$3.8 billion. These commitments included loan and grant programs for housing, school building aid, community college and county jail construction, community parks, supply systems for water, energy conservation, and forest resource improvement totaling approximately \$2.6 billion. These commitments are expected to be funded from existing program resources and from the proceeds of revenue and general obligation bonds to be issued. The total commitments also include approximately \$27 million for the construction of portable classrooms and the construction and rehabilitation of toll bridge facilities, approximately \$903 million for the construction of water projects and the purchase of water and power, and up to \$257 million for the operation and maintenance of the lottery's automated gaming system. Construction projects of the University of California, totaling \$826 million, had been authorized as of June 30, 1993.

**15. Fund Balance Reserved for Other Specific Purposes**

*General Fund*

Of the \$206 million reserve, \$151 million represents the unencumbered balances of appropriations restricted for future educational purposes in accordance with Article XVI, Section 8, of the State Constitution and \$55 million is reserved for support of the University of California in accordance with Chapter 587, Statutes of 1992.

*Special Revenue Funds*

Of the \$66 million reserve, \$42 million represents condemnation deposits and \$24 million is reserved for transfer to the State's General Fund.



### *Trust and Agency Funds*

The reserve represents assets of the Unemployment Fund and other expendable trust funds that are not available for future appropriations other than those for which the funds were established.

### *University of California*

The reserve in the current funds represents funds for which outside sources or donors specify the use. The reserve in the endowment and similar funds primarily consists of income-generating gifts in which, by definition, the principal is maintained and invested and the income is used. In the plant funds, the reserve consists of monies designated to finance the acquisition and construction of capital assets. Finally, the reserve in the loan funds consists of monies designated for various loans to students and faculty.

## **16. Fund Deficits**

The capital projects fund type and the enterprise fund type had positive fund equities as of June 30, 1993. However, 3 of the 11 capital projects funds that receive bond proceeds had deficits at June 30, 1993. Also, 1 of 12 enterprise funds that receive bond proceeds had a deficit at June 30, 1993. These deficits result from the way the State has financed certain projects. The State, before issuing bonds, temporarily borrows from its own pooled investments to pay project costs. These loans are recorded as a liability of the fund rather than being recorded in the General Long-Term Obligations Account Group. Because both the liability and the cash proceeds from the loan are reported in the fund, any expenditure recorded in the fund creates a temporary deficit. The deficit will be eliminated when the State later issues the bonds and uses the proceeds to repay the loan.

At June 30, 1993, the deficits in the three capital projects funds totaled \$11 million. Each of these funds had bonds authorized but unissued that exceeded their deficits. In total, these funds had \$117 million in authorized but unissued bonds.

At June 30, 1993, the deficit in the enterprise fund totaled \$37 million. The fund had bonds authorized but unissued that exceeded its deficit. This fund had \$305 million in authorized but unissued bonds.

Also, one enterprise fund, the Hazardous Substance Cleanup Fund, had a deficit in retained earnings of \$64 million on June 30, 1993. This deficit occurred because the State has not recovered hazardous waste cleanup costs from responsible parties.

## 17. Major Tax Revenues

Tax revenues for the year ended June 30, 1993, are as follows (in thousands):

	General Fund	Special Revenue Funds	Expendable Trust Funds
Personal income	\$17,315,414		
Sales and use	14,948,356	\$3,117,810	
Bank and corporation	4,766,246		
Unemployment insurance			\$2,617,175
Disability insurance			2,612,487
Insurance	1,188,771		
Inheritance, estate, and gift	775,484		
Cigarette and tobacco	173,316	529,955	
Other	319,088	123,314	79,844
<b>Total</b>	<b>\$39,486,675</b>	<b>\$3,771,079</b>	<b>\$5,309,506</b>

## 18. Pension Trusts

The State administers five defined benefit contributory retirement plans: the Public Employees' Retirement System, the State Teachers' Retirement System, the Judges' Retirement System, the Legislators' Retirement System, and the University of California Retirement System. The University of California Retirement System is reported in the University of California fund type. The other pension funds are included in the fiduciary fund type. Additional information for each retirement system can be found in each system's separately issued financial report.

### A. *Public Employees' Retirement System*

#### *Plan Description*

The Public Employees' Retirement System (PERS) is an agent multiple-employer public employees' retirement system. It is administered by the Board of Administration (board) of the PERS. The board also administers other retirement systems and programs. The PERS had approximately 689,000 active and inactive members at June 30, 1993, excluding current benefit recipients of approximately 289,000. The membership includes employees of the State of California, school employees who do not hold a teaching certificate, and employees of California public agencies. These employees are covered under 1,285 contracts with the PERS. The payroll of member agencies covered by the PERS was approximately \$19.0 billion in fiscal year 1992-93. At June 30, 1993, the PERS had approximately 239,000 state members. The State's payroll covered by the

PERS was approximately \$7.5 billion out of a total payroll of approximately \$10.3 billion, which includes the payroll of the University of California of approximately \$2.2 billion.

All employees of member agencies who work halftime or more are eligible to participate in the PERS. The PERS administers several different retirement plans, each providing a monthly allowance based on age, years of credited service, and highest average compensation over an established period of one to three years. Vesting occurs after five or ten years, depending on the plan. All plans provide death and disability benefits. The benefit provisions for state employees and eligible school employees are established by statute. The benefits for public agencies are established by contract with the PERS in accordance with the provisions of the Public Employees' Retirement Law.

Employees of the State of California who are covered by the PERS are classified into the following groups: California Highway Patrol (CHP) members, consisting of CHP officers; peace officer/firefighter members, consisting of employees who are involved in law enforcement and fire prevention and suppression; safety members, consisting of employees in law enforcement and fire prevention and suppression who are not peace officer/firefighter members; industrial members, consisting of employees of the youth and adult correctional facilities who are not safety members; and miscellaneous members, consisting of all other members and representing the majority of state employees. In previous years, the State offered certain groups of employees in the industrial and miscellaneous categories two retirement options: a first tier and a second tier option. In the first tier, employees contribute a percentage of their payroll to the PERS. In the second tier, employees do not contribute to the PERS and receive reduced benefits. After June 30, 1991, employees who become eligible to participate in the PERS are subject to the second tier.

Upon separation from the PERS, members can elect to have their accumulated contributions refunded with interest credited through the date of refund. The annual rate of interest credited to members' accounts was 6 percent at June 30, 1993.

State employees become vested after five years if they are covered by the first tier plan and after ten years if they are covered by the second tier plan. The retirement benefits of state employees vary according to the plan under which they are covered. The benefits of the largest group, miscellaneous members in the first tier plan, are based on a formula that, at age 60, provides benefits equal to 2 percent of the highest compensation over twelve consecutive months multiplied by the years of service. Early retirement options at reduced benefits are also available.

Most employees of member agencies contribute to the PERS except for the state employees in the second tier plan. The contribution rates vary between the plan and the employer. The state employees' contribution rates range from 5 percent of the monthly

salary over \$513 for industrial and miscellaneous members in the first tier plan who are also covered by social security up to 8 percent of the monthly salary over \$238 for peace officer/firefighter members who are not covered by social security.

Employers are required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the actuaries and actuarial consultants of the PERS and adopted by the board.

### *Investment Matters*

Statutes authorize the PERS to invest in stocks, bonds, mortgages, real estate, and other investments. The State Street Bank and Trust is the master custodian for the majority of the investments.

Equity securities are reported at cost, subject to adjustment for market declines that are other than temporary. The market value is based on published market prices and quotations from major investment brokers.

### *Funding Status and Progress*

The amount shown below as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the PERS on a going-concern basis, assess the progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the PERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1992. Significant actuarial assumptions used in the valuation include the following: (a) a rate of return on the investment of present and future assets of 8.75 percent per year compounded annually; (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation; (c) additional salary increases of 0.75 percent per year attributable to across-the-board salary increases and 0.75 to 2.00 percent per year attributable to merit raises; and (d) post-retirement benefit increases based on the contracts with the member agencies.

The following schedule shows the total unfunded pension benefit obligation of the PERS and the State's portion of the total on June 30, 1992 (in thousands):

	<b>Total PERS</b>	<b>State's Portion</b>
Pension benefit obligation to:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$29,253,558	\$14,323,075
Current employees:		
Accumulated employee contributions, including allocated investment earnings	12,680,204	4,100,277
Employer-financed vested	21,876,772	10,975,762
Employer-financed nonvested	1,279,260	583,977
Total pension benefit obligation	65,089,794	29,983,091
Net assets available for benefits, at cost (market value of \$67 billion and \$29 billion, respectively)	58,974,738	25,295,125
<b>Unfunded pension benefit obligation</b>	<b>\$ 6,115,056</b>	<b>\$ 4,687,966</b>

#### *Contribution Requirements*

The PERS uses the entry-age normal actuarial cost method, which is a projected-benefit cost method. The method takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount that would fund the projected benefit if it were paid annually from the date of employment until retirement. The PERS uses a modification of the entry-age cost method in which the employer's total normal cost is expressed as a level percentage of payroll. The PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liability. The amortization period of the unfunded actuarial liability varies by agency but is no longer than 40 years.

The significant assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described.

The required contributions consist of a normal cost of 8.666 percent of covered payroll and an amortization of unfunded liabilities of 1.083 percent of covered payroll. The actual employer contributions were reduced by \$163 million due to permitted usage of assets in excess of funding requirements and reduced by \$360 million due to the usage of credits resulting from state legislative action.

The following schedule shows the net contributions during fiscal year 1992-93 (amounts in thousands):

	Amount	Percentage of Payroll
Employer	\$1,454,682	7.65%
Members	1,183,546	6.22
<b>Total</b>	<b>\$2,638,228</b>	<b>13.87%</b>

During fiscal year 1992-93, three sets of employer contribution rates were in effect: one for the period July 1, 1992 through September 30, 1992, one for the period October 1, 1992 through December 31, 1992, and one for the period January 1, 1993 through June 30, 1993. In lieu of presenting the rates for each period in the table below, the October 1, 1992 rates were used to approximate the rates at which the State was required to contribute to the PERS for all of fiscal year 1992-93.

	Normal Cost	Unfunded Liability	Total Rate
Miscellaneous members:			
First tier	9.027%	1.239%	10.266%
Second tier	3.373	0.018	3.391
Industrial	11.995	0.000	11.995
Highway patrol	17.074	0.000	17.074
Peace officers and firefighters	15.186	0.374	15.560
Other safety members	15.581	0.117	15.698

The actual contributions, also expressed as a percentage of payroll, of the State and the PERS members for the year ended June 30, 1993, were as follows (amounts in thousands):

	Amount	Percentage of Covered Payroll
Miscellaneous:		
Employer	\$ 508,659	9.14%
Members	207,038	3.72
Industrial:		
Employer	28,864	11.99
Members	8,042	3.34
Highway patrol:		
Employer	44,647	17.08
Members	15,215	5.82
Peace officers and firefighters:		
Employer	191,215	15.58
Members	90,313	7.36
Other safety:		
Employer	37,216	15.70
Members	13,782	5.81
<b>Total Contributions</b>	<b>\$1,144,991</b>	

### *Trend Information*

The following schedule shows the net assets available for benefits as a percentage of the pension benefit obligation and the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1992, 1991, and 1990 (amounts in thousands). Additional trend information is available in the separately issued financial report of the PERS for the year ended June 30, 1993.

	1992	1991	1990
Net assets available for benefits	\$ 58,974,700	\$ 53,732,400	\$49,362,100
Pension benefit obligation	65,089,800	59,848,000	56,569,200
Percentage funded	91%	90%	87%
Unfunded pension benefit obligation	\$ 6,115,100	\$ 6,115,600	\$ 7,207,100
Annual covered payroll	19,022,400	18,992,100	16,297,600
Unfunded pension benefit obligation as a percentage of covered payroll	32%	32%	44%

## B. *State Teachers' Retirement System*

### *Plan Description*

The State Teachers' Retirement System (STRS) is a cost-sharing multiple-employer retirement system that provides pension benefits to teachers and certain other employees of the California public school system. At June 30, 1993, the STRS had approximately 1,150 contributing employers (school districts). Additionally, the State is a nonemployer contributor to the STRS.

Membership in the pension plan is mandatory for all employees who hold a teaching certificate and who are eligible for membership. At June 30, 1993, the STRS had approximately 188,000 retirees and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them. Also, the STRS had approximately 313,600 vested and nonvested active members.

Members become fully vested in retirement benefits after five years of credited service. In general, the STRS provides defined retirement benefits based on the members' final compensation, age, and length of service. In addition, benefits are provided for disability and for survivors upon the death of eligible members. Final compensation is defined as the average salary earnable for either the highest three consecutive years of credited service or the highest one year of compensation if an employer elects to pay for the additional cost. At age 60, the benefit formula provides benefits equaling 2 percent of final compensation multiplied by the years of service. Early retirement options are also available.

Members are eligible for disability benefits before age 60 after five years of credited service. The disability benefits range up to 90 percent of final compensation. Also available are family benefits if the deceased member had at least one year of credited service.

The members' accumulated contributions and accrued interest are refundable to employees upon separation.

The following is a summary of the sources of contributions:

Members	— 8 percent of applicable member earnings
Employers	— 8.25 percent of applicable member earnings
State of California	— Beginning July 1, 1991, annual contributions are 4.3 percent of the prior calendar year covered payroll.



- Under certain provisions of the California Education Code, employers are required to make contributions of .415 percent of payroll to the State. These contributions are subsequently appropriated by the State to the STRS. Actual appropriations for fiscal year 1992-93 were \$56.2 million, or .468 percent of payroll.

### *Investment Matters*

The STRS invests in debt securities including obligations issued by the United States government, United States corporations with a credit rating of BBB or above, foreign corporate issues with a credit rating of A or above, government securities issued by countries contained in the Salomon Brothers World Government Bond Index, and notes collateralized by first mortgages and deeds of trust for real estate located in the United States. The STRS also invests in equities, including common and preferred stock of corporations domiciled in the United States, mutual funds, units of participation in commingled index funds, international securities, and other investments.

The majority of the securities held in the investment portfolio at June 30, 1993, is in the custody of or controlled by the State Street Bank and Trust Company, the STRS' master custodian.

Domestic debt securities and mortgage loans are reported at amortized cost. International debt securities are stated at cost. Equity securities are reported at average cost. Short-term and other investments are reported at cost, which approximates market value. Real estate equity investments are reported at cost, which approximates net realizable value.

### *Funding Status*

The amount shown below as pension benefit obligation is a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The amount is the actuarial present value of credited projected benefits and is intended to help users assess the STRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. This measure is independent of the actuarial methods used to calculate the contribution requirements described below.

The pension benefit obligation below was derived from the last completed actuarial valuation as of June 30, 1991. Significant actuarial assumptions used in the valuation include the following: (a) consumer price index increases of 5 percent annually; (b) projected salary increases of 6.5 percent annually; (c) a rate of return on the

investment of present and future assets of 8.5 percent; (d) an expected growth in membership of 0.75 percent; and (e) administrative expenses of 0.25 percent of payroll.

At June 30, 1992, the estimated unfunded pension benefit obligation was as follows (in thousands):

Pension benefit obligation to:	
Retirees and beneficiaries currently receiving benefits	\$18,465,000
Current members	31,506,000
Inactive members	598,000
Total pension benefit obligation	50,569,000
Net assets available for benefits (at amortized cost)	35,141,000
<b>Unfunded pension benefit obligation</b>	<b>\$15,428,000</b>

#### *Contribution Requirements*

Required contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Actual member and employer rates are set by statute. The system also uses the level percentage of payroll method to calculate the amortization of the unfunded liability.

In their actuarial valuation as of June 30, 1991, the STRS' independent actuaries determined that the current statutory contributions are equivalent to 20.41 percent of covered payroll over the amortization period, which is estimated to be 38 years from July 1, 1991. The current level of contributions is sufficient to fund normal cost and amortize the actuarial unfunded obligation. Once amortization is complete, the state contribution will drop to the level necessary to fund normal cost of the current benefit program.

#### *Trend Information*

The following schedule shows the net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1992, 1991, and 1990 (amounts in thousands). Additional trend information is available in the separately issued STRS' financial report for the year ended June 30, 1993:

	June 30		
	1992	1991	1990
Net assets available for benefits	\$35,141,000	\$32,046,000	\$29,363,000
Pension benefit obligation	50,569,000	46,324,000	42,714,000
Percentage funded	69%	69%	69%
Unfunded pension benefit obligation	\$15,428,000	\$14,278,000	\$13,351,000
Annual covered payroll	12,015,000	11,816,000	10,971,000
Unfunded pension benefit obligation as a percentage of covered payroll	128%	121%	122%

### C. *Judges' Retirement System*

#### *Plan Description*

The Judges' Retirement System (JRS) is an agent multiple-employer retirement system. It is administered by the Board of Administration of the PERS, and it operates under the Judges' Retirement Law of the California Government Code. The JRS provides pension benefits to judges of the California Supreme Court, courts of appeal, superior courts, municipal courts, and justice courts. As of June 30, 1993, the JRS had approximately 1,495 active and inactive members and 1,180 retired members and beneficiaries receiving benefits. The covered payroll for fiscal year 1992-93 was estimated at \$145 million.

Generally, members become fully vested in retirement benefits after five years of service credit. The JRS provides defined retirement benefits based on the members' years of service and the present salaries of incumbents in the offices from which they retired. In addition, the JRS provides benefits for disability and for survivors upon the death of eligible members. Members are generally eligible for retirement benefits at age 60 with 20 years of service. The JRS is funded on a "pay-as-you-go" basis under which the JRS uses active member contributions and short-term investments to fund current benefit payments to retirees. Members contribute 8 percent of the applicable member compensation. The employers, which are the State and the counties, contribute another 8 percent. The State also has to make other contributions as necessary.

#### *Investment Matters*

State law authorizes the JRS to invest in stocks, bonds, mortgages, real estate, and other investments. The State Street Bank and Trust is the master custodian of the investments. Investments are reported at cost plus accrued interest, which approximates market value.

### *Funding Status and Progress*

The pension benefit obligation is a standardized disclosure measure of the actuarial present value of projected pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the JRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. The measure is independent of the funding method used to determine contributions to the JRS.

Significant economic actuarial assumptions used to calculate the pension benefit obligation were an actuarial interest rate of 8.5 percent per year and expected salary increases of 5.75 percent, which includes an expected inflation rate of 5 percent.

The following schedule shows the total unfunded pension benefit obligation applicable to the JRS at June 30, 1992 (in thousands):

Pension benefit obligation to:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 798,242
Current employees:	
Accumulated employee contributions including allocated investment income	78,174
Employer-financed vested	239,780
Employer-financed nonvested	169,987
Total pension benefit obligation	1,286,183
Net assets available for benefits, at cost, which approximates market	8,905
<b>Unfunded pension benefit obligation</b>	<b>\$1,277,278</b>

### *Contribution Requirements*

The contribution requirements of the JRS are not actuarially determined. Contribution requirements are established by law. Based on actuarial information, the State needed to contribute a total of \$193 million to fund costs accruing each year and liquidate the unfunded accrued liability as of June 30, 1992. The State actually contributed a total of approximately \$48 million.

The last actuarial valuation of the JRS' assets and liabilities was performed as of June 30, 1992. An independent actuary used the valuation to determine the adequacy of the financing structure currently available to the JRS. As of June 30, 1992, the independent actuary determined that a minimum employer contribution rate of

126.24 percent of covered payroll would be required to fund costs accruing each year and to liquidate the existing unfunded accrued liability by January 1, 2002. The independent actuary determined that lesser rates would be required over longer periods of time. The minimum contribution rate determined by the independent actuary is significantly higher than the contribution rate of 8 percent available under current law.

### *Trend Information*

The following schedule shows the net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1992, 1991, and 1990 (amounts in thousands). Additional trend information is available in the separately issued financial report of the JRS for the year ended June 30, 1993.

	June 30		
	1992	1991	1990
Net assets available for benefits	\$ 8,900	\$ 2,900	\$ 1,200
Pension benefit obligation	1,286,200	1,724,200	1,565,500
Percentage funded	.69%	.17%	.07%
Unfunded pension benefit obligation	\$1,277,300	\$1,721,000	\$1,564,300
Annual covered payroll	145,000	142,500	139,000
Unfunded pension benefit obligation as a percentage of covered payroll	881%	1,208%	1,126%

### D. *Legislators' Retirement System*

#### *Plan Description*

The Legislators' Retirement System (LRS) is an agent single-employer retirement system. It is administered by the Board of Administration of the PERS, and it operates under the Legislators' Retirement Law of the California Government Code. The LRS provides pension benefits to eligible members of the Legislature, constitutional officers, and legislative statutory officers who elect to participate in the plan. At June 30, 1993, the LRS had 148 active and inactive members and 247 retired members and beneficiaries. The covered payroll for fiscal year 1992-93 was estimated at \$6.7 million.

Generally, members become fully vested in the pension plan after four years of service credit. The LRS provides defined retirement benefits based on the members' length of service and final compensation. In addition, the LRS provides benefits for disability and for survivors upon the death of eligible members. Members are generally eligible for retirement benefits at age 60 with four or more years of service or at any age

with 15 or more years of service. The Legislators' Retirement Law currently provides that the State contribute 18.81 percent of applicable member compensation; the members contribute between 4 and 8 percent of compensation.

#### *Investment Matters*

Statutes authorize the LRS to invest in stocks, bonds, mortgages, real estate, and other investments. The State Street Bank and Trust is the master custodian for the investments.

Equity securities are reported at cost subject to adjustment for market declines judged to be other than temporary. Real estate mortgage loans are reported at amortized cost. Corporate shares, short-term investments, and international securities, which consist of mutual funds, are reported at cost. The market value of investments is generally based on published market prices and quotations from major investment brokers.

#### *Funding Status and Progress*

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the LRS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the LRS.

Significant economic actuarial assumptions used to calculate the pension benefit obligation were an actuarial interest rate of 8.5 percent per year and expected salary increases of 5.5 percent, which includes an expected inflation rate of 5 percent.

The following schedule shows the total unfunded pension benefit obligation applicable to the LRS at June 30, 1992 (in thousands):

Pension benefit obligation to:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$59,556
Current employees:	
Accumulated employee contributions including allocated investment income	5,946
Employer-financed vested	24,327
Employer-financed nonvested	5,155
Total pension benefit obligation	94,984
Net assets available for benefits, at cost, (market value is approximately \$82,000)	69,881
<b>Unfunded pension benefit obligation</b>	<b>\$25,103</b>

### *Contribution Requirements*

The State's contribution rate of 18.81 percent is required by state law. However, the State uses a contribution rate of 9.75 percent for inactive members.

The last actuarial valuation of the LRS' assets and liabilities was performed as of June 30, 1992. An independent actuary used the valuation to determine the adequacy of the financing structure currently available to the LRS. As of June 30, 1992, the independent actuary determined that a minimum employer contribution rate of 50.49 percent of covered payroll would be required to fund costs accruing each year and to liquidate the existing unfunded accrued liability by the year 2012. The independent actuary determined that lesser rates would be required over longer periods of time. The minimum contribution rate is significantly higher than the contribution rate of 18.81 percent available under current law.

### *Trend Information*

The following schedule shows the net assets available for benefits as a percentage of the pension benefit obligation and shows the unfunded pension benefit obligation as a percentage of the annual covered payroll as of June 30, 1992, 1991, and 1990 (amounts in thousands). Additional trend information is available in the separately issued financial report of the LRS for the year ended June 30, 1993.

	June 30		
	1992	1991	1990
Net assets available for benefits	\$69,900	\$67,700	\$63,500
Pension benefit obligation	95,000	95,300	80,000
Percentage funded	74%	71%	79%
Unfunded pension benefit obligation	\$25,100	\$27,600	\$16,500
Annual covered payroll	6,700	1,900	5,500
Unfunded pension benefit obligation as a percentage of covered payroll	375%	1,453%	300%

E. *University of California Retirement System*

*Plan Description*

The University of California Retirement System (UCRS) includes a defined benefit pension plan that provides pension benefits to eligible employees of the University of California and its affiliates. The pension plan provides retirement and disability benefits and benefits for survivors upon the death of eligible members. At June 30, 1993, the pension plan had approximately 92,000 members with approximately 22,600 recipients.

*Investment Matters*

The UCRS has investments in equities, bonds, mortgage loans, and other miscellaneous investments. The UCRS' investments are reported at market value.

*Actuarial Present Value of Accumulated Plan Benefits*

Actuarial methods and assumptions include the expected return on actuarial value of assets at 8.5 percent, as well as valuing actuarial assets based on five-year moving average of market values.

The actuarial present value of accumulated plan benefits of the UCRS at June 30, 1993, was \$8.48 billion, composed of vested benefits of \$8.06 billion and nonvested benefits of \$418 million. The actuarial present value excludes future salary increases, while actual future benefits will be based upon then-current salary levels. When projections for future salary increases are included in this calculation, the actuarial present value of accumulated plan benefits is \$11.58 billion. Net assets available for benefits, using the actuarial value of such assets, totaled \$15 billion at June 30, 1993.



### *Funding Policy*

The UCRS is funded through the University of California and employee contributions. The pension expense related to the UCRS was \$22.9 million for fiscal year 1992-93. In 1984, the State agreed to pay \$66.5 million in actuarially equivalent annual installments over 30 years. Also, in fiscal year 1989-90, the State agreed to pay \$57.2 million in actuarially equivalent annual installments over 30 years. At June 30, 1993, the amount due from the State was \$114 million. This amount is recorded as a receivable from the State and as an interfund payable and receivable between the University of California's current unrestricted funds and retirement plan funds.

Certain employees participate in the Public Employees' Retirement System (PERS). Pension expense paid to PERS was \$4.9 million for 1992-93.

A special defined benefit provision plan providing lifetime supplemental retirement income and survivor benefits is provided to those employees who participated in PERS and elected early retirement under the Voluntary Early Retirement Incentive Plan. The cost of the plan is to be paid into UCRS annually by the University and the three major Department of Energy Laboratories in actuarially determined installments through 1996. Pension expense related to this plan for the year ended June 30, 1993, was \$10.3 million. The remaining \$11.9 million to be paid into UCRS over the next three years is not reflected in the accompanying financial statements.

### **19. Postretirement Health Care Benefits**

In addition to providing pension benefits, the State provides health care and dental benefits to annuitants of retirement systems to which the State contributes as an employer. To be eligible for these benefits, first tier plan annuitants must retire from the State on or after attaining age 50 with at least 5 years of service, and second tier plan annuitants must retire from the State on or after attaining age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from State employment to be eligible to receive these benefits. As of June 30, 1993, approximately 87,000 annuitants were enrolled to receive health benefits and approximately 69,000 annuitants were enrolled to receive dental benefits. In accordance with the Government Code, the State generally pays 100 percent of the health insurance cost for annuitants plus 90 percent of the additional premium required for the enrollment of family members of annuitants. Although the State generally pays 100 percent of the dental insurance premium for annuitants, the Government Code does not specify the State's contribution toward dental insurance costs. The State recognizes the cost of providing health and dental insurance to annuitants on a pay-as-you-go basis. The cost of these benefits in fiscal year 1992-93 was approximately \$293 million. The \$26 million increase in expenditures over the previous year was largely caused by increases in health insurance premiums and in the number of eligible annuitants receiving benefits.

The University of California also provides health care and dental plan benefits to annuitants. For the current fiscal year, more than 28,900 annuitants were eligible to receive these benefits. The University of California recognizes the cost of providing health care and dental benefits when the benefits are paid. The cost of health care and dental benefits for annuitants of the University of California in fiscal year 1992-93 was \$93 million.

## **20. Deferred Compensation Plan**

The State administers two deferred compensation plans in accordance with Section 457 of the Internal Revenue Code: the 457 Plan and the Part-Time, Seasonal, and Temporary (PST) Plan. The 457 plan is an optional plan for eligible employees. The PST plan is a mandatory plan for employees who are not members of the State's retirement system and who are not covered by social security. Employees under each plan defer receiving portions of their salaries, thereby deferring taxation on these portions, until they leave state service or face a serious financial emergency. The State makes no contribution to either plan. Participants of the 457 plan direct the State to invest the deferred amounts among various investment options. The State invests PST plan participants' deferred amounts into only one of the investment options of the State's choosing. Participants of the 457 plan pay the costs of administering their plan, but the State pays the administration costs of the PST plan. However, the money in both plans is available for payment to the State's general creditors when permitted by the Legislature.

As of June 30, 1993, the total market value of assets in the deferred compensation plans was approximately \$1.893 billion. Of this amount, approximately \$1.881 billion is reported in investments, approximately \$12 million in due from other funds, and the corresponding liability of \$1.893 billion is included in deposits. The assets and the liability are reported in an agency fund.

## **21. Guaranty Deposits**

The State is custodian of guaranty deposits held to protect consumers, to secure the State's deposits in financial institutions, and to ensure payment of taxes and fulfillment of obligations to the State. Guaranty deposits of securities and other properties are not shown on the financial statements.

## **22. Segment Information—Enterprise Funds**

Selected financial information by enterprise fund activity for major segments is shown in the schedule on the following page.

**ENTERPRISE FUND ACTIVITY  
BY MAJOR SEGMENTS  
For the Fiscal Year Ended June 30, 1993  
(In Thousands)**

	Housing Loan	Water	State Compensation Insurance	Student Loans and School Building Aid	Toll Facilities	State University	Leasing of Public Assets	Lottery	Other Enterprises
Operating revenue	\$ 691,648	\$ 481,073	\$ 1,766,388	\$ 93,828	\$ 136,229	\$ 209,582	\$ 75,630	\$ 1,759,495	\$ 109,599
Operating income (loss)	(94,297)	172,962	(284,843)	66,124	83,424	69,162	66,744	597,386	3,958
Net Income (Loss)	(79,631)	(60,477)	202,080	2,215	91,452	39,965	(174,806)	607,134	23,659
Property, plant, and equipment									
Additions	1,809	117,931	25,026	1,766	43,795	42,376	362,701	48,278	5,597
Deductions	525	54,928	5,289	3,763	0	0	13,448	26,294	1,797
Total assets	8,675,876	4,921,090	5,972,166	467,368	1,412,278	940,509	3,887,432	2,048,992	568,062
Bonds and other long-term liabilities	7,601,098	3,081,889	2,918,426	84,150	86,026	316,272	3,533,590	1,630,649	78,549
Total equity	703,053	974,768	789,265	361,363	1,320,119	557,391	(18,006)	0	396,305

The primary sources of enterprise fund revenues are as follows:

*Housing Loan*—Interest charged on contracts of sale of properties to California veterans and to California National Guard members, interest charged on program loans to finance the housing needs of persons and families of low and moderate income, loan origination fees, and interest earned on investments.

*Water*—Charges to local water districts, sale of excess power to public utilities, and interest earned on investments.

*State Compensation Insurance*—Premiums collected from California employers for insurance against workers' compensation claims and interest earned on investments. This information is as of and for the year ended December 31, 1992.

*Student Loans and School Building Aid*—Interest charged on loans to school districts for acquisition, construction, or rehabilitation of classroom facilities; and income from the rental of portable classrooms to school districts.

*Toll Facilities*—Toll fees and interest earned on investments.

*State University*—Charges to students for housing and parking; student fees for campus unions, health centers, and self-supporting educational programs; and interest earned on investments.

*Leasing of Public Assets*—Rental charges from the lease of public assets and interest earned on investments.

*Lottery*—Sale of lottery tickets.

*Other Enterprises*—Gasoline taxes and fees related to boating activities, canteen revenues, and processing fees charged by various other departments and authorities.

## 23. Contingencies

### A. Litigation

The State is a party to numerous legal proceedings, many of which normally recur in governmental operations. The following were accrued as a liability in the financial statements: legal proceedings that were decided against the State before June 30, 1993, legal proceedings that were in progress at June 30, 1993, and that were settled or decided against the State as of our report date, and legal proceedings having a high probability of resulting in a decision against the State as of our report date, and for which amounts could be estimated. For governmental fund types and expendable trust funds, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability of the fund from which payment will be made; the remainder is shown as a liability of the General Long-Term Obligations Account Group. For other fund types, the entire liability is recorded in the fund involved. In addition, the State is involved in certain other legal proceedings that, if decided against the State, may require the State to make significant future expenditures or may impair future revenue sources. Because of the prospective nature of these proceedings, no provision for this potential liability has been made in the accompanying financial statements, nor can an estimate of the potential loss be made.

Following are the more significant lawsuits pending against the State:

The State is a defendant in 37 lawsuits involving the State's application of the unitary method of accounting to foreign country controlled corporations. Under the unitary method of accounting, the State taxes multinational corporations on the basis of worldwide earnings allocated as a percentage of activities within the State. In 1988, corporations were given the option of using the "water's edge" method, which allows multinational corporations to limit the base used for assessing California income tax to a firm's United States operations. The lead cases are *Barclays Bank PLC v. Franchise Tax Board* and *Alcan Aluminum v. Franchise Tax Board*. The *Barclays Bank PLC v. Franchise Tax Board* was argued before the United States Supreme Court on March 28, 1994. The United States Supreme Court has deferred its decision on whether to review the Alcan case until after Barclays is resolved. The United States Supreme Court anticipates taking action on the cases in 1994. If the State does not prevail, it could be required to refund an estimated \$305 million from the General Fund and \$110 million from the Unitary Tax Fund in the Special Revenue Fund Type. In addition, in case of an adverse judgment, the State will not be able to collect previous assessments of \$465 million.

The State is also a defendant in five lawsuits involving the unitary method of accounting to domestic controlled corporations. The lead case is *Colgate Palmolive v. Franchise Tax Board*. The primary issue is whether the Franchise Tax Board can allocate income to California by taking into account the worldwide income of the domestic parent multinational and all of its worldwide unitary subsidiaries. The *Colgate Palmolive Company v. Franchise Tax Board* was argued before the United States Supreme Court on March 28, 1994. An adverse decision on the legal issue and not based on facts unique to an individual case could result in an estimated

\$975 million refund from the General Fund and \$165 million from the Unitary Tax Fund. In addition, the State will not be able to collect previous assessments of \$155 million.

The State is a defendant in 12 lawsuits involving the exclusion of small business stock gains from preference tax and in some cases, also from taxation. The lead cases are *Mervin Morris v. Franchise Tax Board* and *James Lennane v. Franchise Tax Board*. The majority of the remaining cases have been deferred pending the outcome of the Morris and Lennane cases. Although the Franchise Tax Board prevailed before different Courts of Appeal in both cases on different issues, there are inconsistencies between the two cases on one issue. Therefore, the California Supreme Court has accepted petitions for review in both cases. In the event of an adverse outcome, the effect on the State will be dependent upon the rationale for the decision and the subsequent application by the State Board of Equalization and the courts. However, the State could be required to refund an estimated \$250 million and will not be able to collect previous assessments of \$250 million.

The State is a defendant in six tax cases relating to the State's method of determining the tax on gross insurance premiums. The potential loss to the State could amount to \$ 287 million. In a related case, the California State Supreme Court ruled in the State's favor.

The State is involved in a lawsuit seeking reimbursement for alleged state-mandated costs. In *Thomas Hayes v. Commission on State Mandates*, the state director of finance is appealing a 1984 decision by the State Board of Control. The Board of Control decided in favor of local school districts' claims for reimbursement for special education programs for handicapped students; however, funds have not been appropriated. The amount of potential liability to the State, if all potentially eligible school districts pursue timely claims, has been estimated by the Department of Finance at over \$1 billion.

In another case, the State is a defendant in *Long Beach Unified School District v. State of California*. In this case, the school district seeks reimbursement for voluntary desegregation costs incurred in the implementation of California Department of Education guidelines. The years of reimbursement are from fiscal year 1977-78 and each fiscal year thereafter to the present. The district prevailed in a superior court, and the case has been decided by a State appellate court against the State. A petition for review was denied and the superior court judgment has become final, but the court retains jurisdiction to oversee payment. The State anticipates that the unfavorable outcome will affect pending claims by other school districts, and the total loss could be in excess of \$300 million.

The State is involved in two lawsuits related to contamination at the Stringfellow toxic waste site. In one suit, the State is one of approximately 130 defendants in *Penny Newman v. J. B. Stringfellow, et al.* in which 3,800 plaintiffs are claiming damages of \$850 million arising from contamination at the Stringfellow toxic waste site. The State is a defendant because it chose the site and approved the deposit of toxic wastes. A conservative estimate of the State's potential liability is \$250 million to \$550 million. In a separate lawsuit, *United States, People of the State of California v. J. B. Stringfellow, Jr. et al.*, the State is seeking recovery for past costs of cleanup of the site, a declaration that the defendants are jointly and severally liable for future

costs, and an injunction ordering completion of the cleanup. However, the defendants have filed a counterclaim against the State for alleged negligent acts. Because the State is the present owner of the site, the State may be found liable. Present estimates of the cleanup range from \$200 million to \$800 million.

The State is a defendant in a coordinated action involving 3,000 plaintiffs seeking recovery for damages caused by the Yuba River flood of February 1986. The potential liability to the State in the event of an adverse outcome of the litigation cannot be estimated at this time.

The State is a defendant in *California Teachers Association v. Russell S. Gould, et al.*, where the petitioners are challenging a recharacterization of \$1.083 billion of appropriations for fiscal year 1991-92 and \$190 million in the 1992-93 fiscal year as emergency loans rather than Proposition 98 funds. The petitioners are seeking a declaration that all appropriated funds are Proposition 98 funds and, therefore, must be included in the minimum funding guarantee for schools. A Sacramento Superior Court ruled that the appropriations are not Proposition 98 funds and should not be included in the minimum funding calculation in future years. These funds should be considered excess appropriations in the respective fiscal year budgets and the State cannot receive credit and offset these excess appropriations against the following years' guarantee.

The petitioners also challenged the characterization of an additional \$973 million in the 1992-93 fiscal year and \$787 in the 1993-94 fiscal year as "loans" rather than Proposition 98 funds. As loans, these funds would not be included in the minimum funding guarantee. The court, however, ruled that these appropriations should be considered Proposition 98 funds and as such must be included in calculating the minimum funding guarantee in future years. The State appealed this decision in the Third Appellate District Court.

The State is a defendant in *Parr, et al. v. State of California* where a number of state employees filed a complaint in federal court claiming that payment of wages in registered warrants violated the Fair Labor Standards Act (FLSA) on the premise that registered warrants were not cash or cash equivalent. In December 1992, the federal court ruled that the issuance of registered warrants is a violation of the FLSA. The next phase of this trial will focus on the issue of damages and will attempt to determine whether there was a good faith belief that the issuance of the registered warrants was not a violation of the FLSA. If the State loses, the maximum amount of damages will be approximately \$375 million.

The State is involved in a case concerning the default by Triad Healthcare on a \$167 million loan guaranteed by the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development (Cal-Mortgage). Monies for the loan were raised through the sale of Certificates of Participation and Cal-Mortgage insured the debt service payments. Since July 1993, Triad has failed to make its monthly debt service payments; therefore, the reserve account of the bonds has been used to make the payments. However, these funds are only expected to last until February 1995. After that time, Cal-Mortgage anticipates

that additional debt service payments will be made from the Health Facility Construction Loan Insurance Fund as they become due. However, if there is any shortfall in this fund, the State's General Fund will be used to make up the difference.

**B. *Federal Audit Exceptions***

The State receives substantial funding from the federal government in the form of grants and contracts. The State is entitled to these resources only if it complies with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; the State may spend these resources only for eligible purposes. If audits disclose exceptions, the State may incur a liability to the federal government.

**C. *Insurance Program***

The State has elected, with a few exceptions, to be self-insured against loss or liability. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. Except for the University of California, workers' compensation benefits for self-insured agencies are initially paid by the State Compensation Insurance Fund. The State Compensation Insurance Fund estimated the liability for future workers' compensation claims against the State's self-insured agencies to be approximately \$791 million as of June 30, 1993. This liability is included in the accompanying financial statements. Of the total, \$33 million is included in the proprietary fund types and \$758 million in the General Long-Term Obligations Account Group. The University of California maintains self-insurance reserves for medical malpractice claims, workers' compensation claims, and certain other risks. Such risks are subject to various per-claim and aggregate limits, with excess liability coverage provided by an independent insurer.

**24. *Subsequent Events***

As part of its cash management program and deficit retirement plan, the State issues short-term obligations to meet cash flow needs. On June 23, 1993, the State issued \$2.0 billion of revenue anticipation warrants that were redeemed on December 23, 1993. The State issued \$2.0 billion of revenue anticipation notes on July 28, 1993, that will mature on June 28, 1994. Finally, on February 23, 1994, the State issued \$3.2 billion of revenue anticipation warrants that will mature on July 26, 1994, and December 21, 1994.

From July 1, 1993, to April 30, 1994, the State issued approximately \$1.6 billion in general obligation bonds and approximately \$3.6 billion in revenue bonds. Refunding bonds, which are issued to refinance existing debt, accounted for approximately \$145 million of the general obligation bonds and \$2.2 billion of the revenue bonds issued. Additionally, various authorities issued approximately \$1.2 billion in no-commitment debt revenue bonds, of which \$136 million were refunding bonds.

On January 17, 1994, a major earthquake struck Los Angeles and caused significant property damage to private and public facilities. The federal government approved \$9.5 billion of federal funds for earthquake relief and the Governor announced that the State will pay \$1.9 billion for earthquake relief costs, including a 10 percent match to some of the federal funds.



## **STATISTICAL SECTION**

**STATE OF CALIFORNIA**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1984 THROUGH 1993**  
(In Thousands)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
General government	\$ 1,443,012	\$ 1,718,147	\$ 2,157,385	\$ 1,880,521	\$ 1,842,331	\$ 2,081,579	\$ 2,741,287	\$ 2,812,140	\$ 2,786,667	\$ 2,681,084
Education	13,229,285	14,991,210	16,953,147	18,242,436	18,873,313	19,660,647	22,867,811	22,350,139	25,560,756	22,613,122
Health and welfare	13,276,927	14,154,000	14,554,960	16,499,778	17,040,861	19,539,017	22,856,943	24,589,169	28,074,053	30,248,244
Resources	632,579	599,616	743,931	766,707	765,176	1,409,351	1,356,665	1,503,840	1,864,548	1,671,655
State and consumer services	421,453	618,035	711,237	793,572	1,123,851	1,670,385	568,910	586,709	624,889	553,122
Business and transportation	2,338,762	2,912,834	2,823,357	2,999,779	3,304,988	3,367,150	4,097,360	4,502,150	5,331,881	5,985,426
Correctional programs	845,666	1,211,818	1,264,060	1,855,042	1,846,112	1,955,060	2,350,397	2,705,465	3,000,849	2,862,733
Property tax relief	1,070,154	944,850	925,750	993,548	1,011,781	949,699	948,896	930,233	828,212	808,053
Capital outlay	155,894	294,605	698,967	636,147	686,257	676,340	635,841	942,404	795,344	804,085
Debt service	342,899	375,829	444,942	638,535	678,340	856,538	984,791	1,220,593	1,433,140	1,649,685
<b>Total</b>	<b>\$33,756,631</b>	<b>\$37,820,944</b>	<b>\$41,277,736</b>	<b>\$45,306,065</b>	<b>\$47,173,010</b>	<b>\$52,165,766</b>	<b>\$59,408,901</b>	<b>\$62,142,842</b>	<b>\$70,300,339</b>	<b>\$69,877,209</b>

Source: The general purpose financial statements of the State of California

Note: Includes general, special revenue, and capital projects funds.

**STATE OF CALIFORNIA**  
**GENERAL REVENUES BY SOURCE**  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1984 THROUGH 1993**  
(In Thousands)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Taxes	\$23,261,462	\$26,274,712	\$27,746,989	\$30,650,517	\$31,784,962	\$36,743,408	\$38,468,384	\$38,041,098	\$41,132,063	\$43,257,754
Intergovernmental	8,982,156	8,935,870	9,500,748	9,804,735	9,532,594	11,226,909	13,533,050	15,024,782	18,078,536	21,535,501
Licenses and permits	902,430	1,224,057	1,237,717	1,275,597	1,389,586	1,440,119	1,526,473	1,726,500	2,609,734	2,714,575
Natural resources	401,727	516,017	427,120	167,422	225,340	119,456	147,251	171,628	235,983	85,081
Charges for services	106,251	202,392	212,560	274,388	237,164	258,984	306,318	361,562	513,306	340,833
Fees	640,053	422,103	588,422	627,867	784,597	907,562	1,103,325	1,300,698	1,295,422	1,579,710
Penalties	66,879	79,568	138,866	406,643	237,600	285,959	367,774	288,902	457,040	543,170
Interest	386,174	626,937	679,011	653,928	612,968	692,352	747,701	702,199	511,353	368,693
Other	98,349	149,565	208,656	429,706	225,105	281,422	532,317	583,214	538,228	668,153
<b>Total</b>	<b>\$34,845,481</b>	<b>\$38,431,221</b>	<b>\$40,740,089</b>	<b>\$44,290,803</b>	<b>\$45,029,916</b>	<b>\$51,956,171</b>	<b>\$56,732,593</b>	<b>\$58,200,583</b>	<b>\$65,371,665</b>	<b>\$71,093,470</b>

Source: The general purpose financial statements of the State of California

Note: Includes general, special revenue, and capital projects funds.

**STATE OF CALIFORNIA  
PERCENTAGE OF GENERAL LONG-TERM  
BONDED DEBT TO PER CAPITA INCOME  
FOR FISCAL YEARS ENDED JUNE 30, 1984 THROUGH 1993**

<b>Year</b>	<b>General Long-Term Bonded Debt (in Thousands)</b>	<b>Per Capita Debt</b>	<b>Per Capita Income</b>	<b>Percentage of Per Capita Debt to Per Capita Income</b>
1984	\$ 2,234,900	\$ 86.57	\$15,391	.56%
1985	2,771,642	104.97	16,340	.64
1986	3,388,590	125.26	17,131	.73
1987	3,366,735	121.47	17,912	.68
1988	3,248,925	114.43	18,794	.61
1989	4,115,450	141.22	19,719	.72
1990	5,168,355	172.42	20,665	.83
1991	7,735,955	252.43	20,612	1.22
1992	11,311,245	361.38	20,977	1.72
1993	13,262,192	417.81	20,930	2.00

Sources: State Controller's Annual Reports, California Department of Finance estimates (as revised), and the general purpose financial statements of the State of California.

**STATE OF CALIFORNIA**  
**PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**  
**AS REPORTED FOR FISCAL YEARS ENDED JUNE 30, 1984 THROUGH 1993**  
**(Amounts in Thousands)**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Expenditures*</b>	<b>Percentage of Debt Service to Total General Expenditures</b>
1984	\$184,259	\$158,640	\$ 342,899	\$33,756,631	1.0%
1985	203,258	172,571	375,829	37,820,944	1.0
1986	233,052	211,890	444,942	41,277,736	1.1
1987	271,855	366,680	638,535	45,306,065	1.4
1988	278,610	399,730	678,340	47,173,010	1.4
1989	273,475	583,063	856,538	52,165,766	1.6
1990	322,095	662,696	984,791	59,408,901	1.7
1991	388,400	832,193	1,220,593	62,142,842	2.0
1992	522,710	910,430	1,433,140	70,300,339	2.0
1993	666,950	982,735	1,649,685	69,877,209	2.4

Source: The general purpose financial statements of the State of California.

\*Includes general, special revenue, and capital projects funds.

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE POPULATION  
CALENDAR YEAR 1940 THROUGH CALENDAR YEAR 1993**

<b>Year</b>	<b>United States Population</b>	<b>Average Annual Percent Increase</b>	<b>California Population</b>	<b>Average Annual Percent Increase</b>	<b>California as a Percentage of United States</b>
1940	132,457,000		6,950,000		5.2%
1950	151,868,000	1.5%	10,643,000	5.3%	7.0
1960	179,979,000	1.9	15,863,000	4.9	8.8
1970	203,984,000	1.3	20,039,000	2.6	9.8
1980	227,225,000	1.1	23,782,000	1.9	10.5
1981	229,466,000	1.0	24,278,000	2.1	10.6
1982	231,664,000	1.0	24,805,000	2.2	10.7
1983	233,792,000	.9	25,337,000	2.1	10.8
1984	235,825,000	.9	25,816,000	1.9	11.0
1985	237,924,000	.9	26,403,000	2.3	11.1
1986	240,133,000	.9	27,052,000	2.5	11.3
1987	242,289,000	.9	27,717,000	2.5	11.4
1988	244,499,000	.9	28,393,000	2.4	11.6
1989	246,819,000	.9	29,142,000	2.6	11.8
1990	249,391,000	1.0	29,976,000	2.9	12.0
1991	252,160,000	1.1	30,646,000	2.2	12.2
1992	255,082,000	1.2	31,300,000	2.1	12.3
1993	(a)		31,742,000	1.4	

Sources: Current Population Reports issued by the Bureau of the Census of the U.S. Department of Commerce, and California Department of Finance estimates (as revised).

(a) Not available.

**STATE OF CALIFORNIA**  
**COMPARISON OF NATIONAL WITH STATE PERSONAL INCOME**  
**CALENDAR YEAR 1980 THROUGH CALENDAR YEAR 1993**

Year	United States		California		California as a Percentage of United States
	Personal Income (in millions)	Percent Change	Personal Income (in millions)	Percent Change	
1980	2,259,000		\$277,967		12.3%
1981	2,525,900	11.8%	311,738	12.1%	12.3
1982	2,683,600	6.2	332,802	6.8	12.4
1983	2,857,900	6.5	358,079	7.6	12.5
1984	3,144,500	10.0	397,323	11.0	12.6
1985	3,368,200	7.1	431,415	8.6	12.8
1986	3,580,000	6.3	463,423	7.4	12.9
1987	3,789,400	5.8	496,480	7.1	13.1
1988	4,063,000	7.2	533,608	7.5	13.1
1989	4,367,700	7.5	574,638	7.7	13.2
1990	4,657,100	6.6	619,446	7.8	13.3
1991	4,833,500	3.8	631,684	2.0	13.1
1992	5,130,600	6.1	656,586	3.9	12.8
1993	(a)		664,369	1.2	

Sources: Bureau of Economic Analysis of the U.S. Department of Commerce (as revised) and State of California, Department of Finance.

<sup>(a)</sup> Not available

**STATE OF CALIFORNIA  
COMPARISON OF NATIONAL WITH STATE  
PER CAPITA PERSONAL INCOME  
CALENDAR YEAR 1980 THROUGH CALENDAR YEAR 1993**

Year	United States		California		California as a Percentage of United States
	Per Capita Personal Income	Percent Change	Per Capita Personal Income	Percent Change	
1980	\$ 9,940		\$11,681		117.5%
1981	11,008	10.7%	12,837	9.9%	116.6
1982	11,584	5.2	13,408	4.4	115.7
1983	12,223	5.5	14,119	5.3	115.5
1984	13,333	9.1	15,372	8.9	115.3
1985	14,155	6.2	16,314	6.1	115.3
1986	14,907	5.3	17,097	4.8	114.7
1987	15,638	4.9	17,871	4.5	114.3
1988	16,615	6.2	18,744	4.9	112.8
1989	17,696	6.5	19,667	4.9	111.1
1990	18,668	5.5	20,679	5.1	110.8
1991	19,169	2.7	20,612	-0.3	108.9
1992	20,114	4.9	20,977	1.8	106.8
1993	(a)		20,930	-0.2	

Sources: Bureau of Economic Analysis of the U.S. Department of Commerce (as revised) and State of California, Department of Finance.

(a) Not available



**STATE OF CALIFORNIA  
CIVILIAN LABOR FORCE FOR  
RESIDENT POPULATION AGE 16 AND OVER  
CALENDAR YEAR 1979 THROUGH CALENDAR YEAR 1993**

<b>Year</b>	<b>Labor Force Trends (In Thousands)</b>			<b>Unemployment Rate</b>	
	<b>Total Labor Force</b>	<b>Employed</b>	<b>Unemployed</b>	<b>United States</b>	<b>California</b>
1979	11,268	10,566	702	5.8%	6.2%
1980	11,584	10,794	790	7.1	6.8
1981	11,812	10,938	875	7.6	7.4
1982	12,178	10,967	1,210	9.7	9.9
1983	12,281	11,095	1,187	9.6	9.7
1984	12,610	11,631	980	7.5	7.8
1985	12,981	12,048	934	7.2	7.2
1986	13,332	12,442	890	7.0	6.7
1987	13,737	12,946	791	6.2	5.8
1988	14,133	13,385	748	5.5	5.3
1989	14,518	13,780	737	5.3	5.1
1990	15,150	14,299	850	5.5	5.6
1991	15,131	13,989	1,142	6.7	7.5
1992	15,307	13,913	1,393	7.4	9.1
1993	15,259	13,853	1,407	6.8	9.2

Source: California Employment Development Department (as revised).

**STATE OF CALIFORNIA  
PERSONS EMPLOYED IN  
PRINCIPAL MANUFACTURING INDUSTRIES  
CALENDAR YEAR 1983 AND CALENDAR YEAR 1993  
(In Thousands)**

<b>Industry</b>	<b>1983</b>	<b>1993</b>	<b>Percent Change</b>
Apparel	102.0	138.6	35.9%
Textile mill products	12.8	16.3	27.3
Printing and publishing	126.8	154.8	22.1
Chemicals and allied products	63.1	72.9	15.5
Rubber and miscellaneous plastic products	62.1	68.2	9.8
Paper and allied products	36.6	39.0	6.6
Food and kindred products	171.4	181.0	5.6
Stone, clay, and glass products	48.2	45.0	(6.6)
Lumber and wood products	50.0	46.0	(8.0)
Furniture and fixtures	51.1	44.9	(12.1)
Industrial machinery	220.9	193.1	(12.6)
Fabricated metal products	136.4	111.1	(18.5)
Transportation equipment	258.9	202.1	(21.9)
Primary metal products	43.0	31.8	(26.0)
Petroleum and coal products	30.7	22.5	(26.7)
Leather and leather products	9.4	5.4	(42.6)
Electrical equipment and supplies	361.1	213.1	*
Instruments and related products	102.5	183.1	*
Miscellaneous	40.2	34.9	(13.2)
<b>Total</b>	<b>1,927.2</b>	<b>1,803.8</b>	<b>(6.4)</b>

Sources: California Department of Finance and California Employment Development Department.

\*1993 data not comparable with 1983 data because of industry classification changes.

cc:   Members of the Legislature  
      Office of the Lieutenant Governor  
      State Controller  
      Legislative Analyst  
      Assembly Office of Research  
      Senate Office of Research  
      Assembly Majority/Minority Consultants  
      Senate Majority/Minority Consultants  
      Capitol Press Corps